

Workforce Housing Study



W e s t s i d e S u b r e g i o n
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Chapter 1: Introduction

About the Westside Workforce Housing Study

As sale prices of most housing units in the Los Angeles region have increased rapidly, reaching historic levels during the past few years, households with workers employed in many industries have faced increased challenges in affording their housing costs. Households have often solved this challenge by choosing less expensive housing in distant communities and creating lengthy daily commute trips to work, which in turn result in increased air pollution and greenhouse gas emissions, decreased worker productivity, and a host of negative quality-of-life impacts for commuter households.

The cities of Beverly Hills, Culver City, Santa Monica, and West Hollywood, as well as the City of Los Angeles, have long collaborated on local planning issues through the Westside Cities Working Group. In 2007, this organization, comprising planning staff from each of the four cities and Los Angeles, received grant funding from the Southern California Association of Governments to initiate this Workforce Housing Study. The goal of this Study is to examine regional workforce housing needs and potential housing strategies to reduce Vehicle Miles Traveled (VMTs) by commuters to employment centers on the Westside. The concept underlying this Westside Workforce Housing Study is to create an analytical framework and set of strategic actions which can be collectively implemented to address the issue of workforce housing and build partnerships with area policy makers, local governments, and employers.

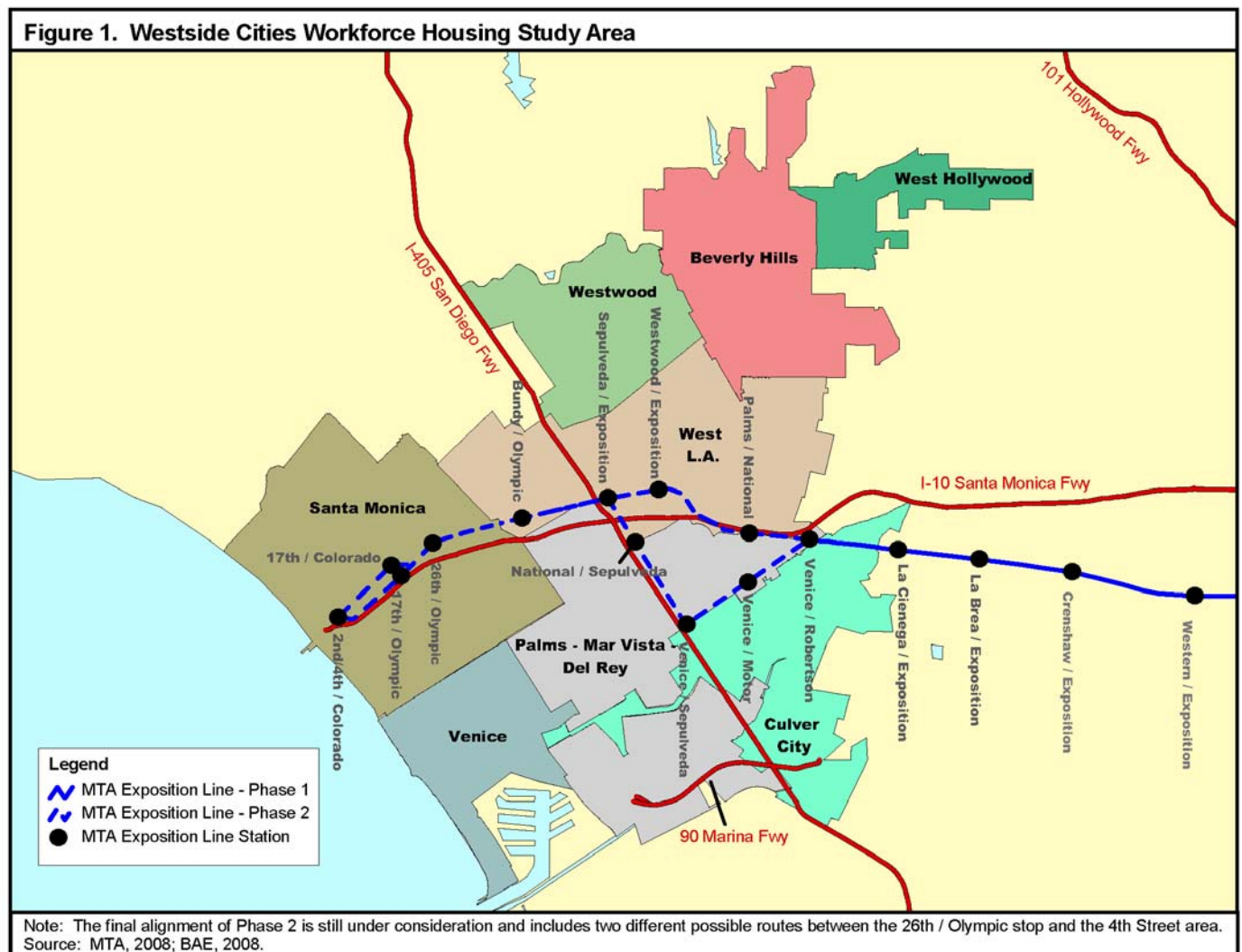
The tradition of working collaboratively among Westside Cities is echoed by the Westside Council of Governments (COG), a joint powers authority with membership representing each of the elected city councils of the same four cities as well as the City of Los Angeles and Los Angeles County. The Westside COG works together to forge consensus on policies and programs focused quality of daily life and sustainability of the environment to enrich the future for Westside residents, businesses, and visitors.

This report will be presented to the Westside Council of Governments and individual city councils, in order to seek collaborative solutions to workforce housing needs.

About the Study Area

Study Area Definition

As part of the initial collaboration between the four Westside cities and the City of Los Angeles, discussions were held to define the Study Area, leading to a decision to incorporate a portion of the City of Los Angeles abutting the separately incorporated cities to form a contiguous commute-shed. In order to best capture data and reflect ongoing methods of planning conducted by the City of Los Angeles, the Working Group determined that four Community Plan Areas within the City of Los Angeles should be included in the Study Area: Westwood, West Los Angeles, Palms-Mar Vista-Del Rey, and Venice. Community Plan Areas have geographic boundaries defined by the General Plan Land Use Element for the City of Los Angeles. The Study Area is shown on Figure 1 (see Appendix A for a listing of Census Tracts comprising the Los Angeles portion).



The Role and Character of the Westside Study Area

Overall, the Study Area can be characterized as a built-out, urbanized area with several major employment centers vital to the Los Angeles regional economy. These include the professional office concentrations in Century City and along Wilshire Boulevard, as well as major institutions such as UCLA and Santa Monica City College, and several large hospitals, numerous hotels, and an array of retailers. The Westside is also home to many entertainment-related employers ranging from talent agencies to post-production studios to industrial suppliers. Museums, cultural amenities, and thriving commercial districts all contribute to the Westside's strong attraction of residents and employers. Although these factors have combined to create a generally high-cost housing market, the diverse array of residents and workers means that the Westside faces the challenge of maintaining housing options which support all income levels.

Implementation of the Exposition Line

A key change in commuting patterns is currently being introduced into the Westside area, with the implementation of the Exposition Line (see Figure 1 on previous page). This major project will bring light rail through the Westside, eventually connecting downtown Los Angeles to Santa Monica. Phase 1 of the Line is under construction and will open by 2010; this phase will terminate in Culver City near its boundary with the City of Los Angeles. Phase 2 of the Exposition Line, currently in environmental review, will continue westward through West Los Angeles and Santa Monica, as well as potentially loop through the Palms-Mar Vista-Del Rey area of Los Angeles. Phase 2 implementation is envisioned for 2015.

The introduction of a light rail transit system to the urbanized land use patterns of the Westside means that jurisdictions along the route are refocusing land use planning to accommodate transit-oriented development (TOD). This concept seeks to carefully plan for development in proximity to transit, promoting walkable neighborhoods, increased transit use, and decreased automobile use. In addition, California cities are currently shifting their emphasis to increased consideration of greenhouse gas reduction, which involves rethinking daily living and automobile dependency. Thus, this Workforce Housing Study is a timely companion to the land use and planning discussions occurring throughout the Westside at present, as each municipality considers ways to better array land use, transportation, and economic development opportunities.

Westside Extension Transit Corridor Study (Subway to the Sea)

In addition to the Exposition Line, a Westside high capacity transit system extension from downtown to Santa Monica (known as Subway to the Sea) is under preliminary study by the regional transit agency. At least two alignments are being studied, including one along Wilshire Boulevard and another along Santa Monica Boulevard. Construction of this system extension will not likely commence for 10 years or more. The system is anticipated to include several stations located within the Study Area for this report.

Workforce Housing Definition

The definition of workforce housing in California varies from locale to locale, because this category of household income and commensurate programs to meet its needs are not formally incorporated into most existing affordable housing laws, regulations, or most policies. For example, many housing analysts consider workforce housing to encompass middle levels of household income, while most affordable housing programs end their targeted households at 120 percent of Area Median Income (AMI) or lower. Some jurisdictions with high house prices have found that households earning 180 percent of AMI or more cannot afford to own or rent housing near their place of work, and need to live in distant, less expensive locations to balance their housing needs. Put another way, almost all currently available affordable housing programs and policies target low and moderate income households, and do not serve the needs of many workforce households facing their own challenges and decisions to minimize their costs for housing. This pattern means that jurisdictions in high housing cost areas concerned about traffic congestion and retention of employees, as well as the employers themselves, have had to explore new tools and partnerships to meet housing needs not previously addressed.

At the same time, even those households between 80 and 120 percent AMI are generally not provided with sufficient public support to meet their housing costs. While California's Community Redevelopment Law (CRL) includes provisions for this income category (usually referred to as "moderate" income), and California's Housing Element requirements specifically track and target this same income range, it is nevertheless often not a strong focus of local governments facing overwhelming needs from lower income households.

For purposes of this Study, workforce housing has been defined as housing for workers that can generally not afford to live in the same location as their workplace, and who are not well served by existing public programs. This definition encompasses housing units affordable to households earning from 80 to 180 percent AMI¹.

In addition, because there are some current programs serving 80 to 120 percent AMI households (i.e., "moderate income"), this report uses three subcategories of workforce housing: those earning from 80 to 120 percent AMI, those earning 120 to 150 percent AMI, and those earning 150 to 180 percent AMI. These subcategories are referred to in this Study as Tier 1, Tier 2, and Tier 3, respectively.

This broad range of income spans both rental and for-sale units, and encompasses households with workers in almost all of the key industries in the Westside, including entertainment, the arts, lodging, retail, health care, and education.

¹ The top end of this range was selected because in general, above the level of 180 percent AMI, affordability constraints tend to diminish in the Study Area, particularly for rental options.

Report Overview

This report is structured to first highlight key workforce housing issues affecting the Westside. Chapter 3 analyzes demographic trends and housing supply issues in the Westside, along with resulting commute patterns. Chapter 3 also looks at workers' household incomes and the relationship to housing prices/rental rates in the Study Area. Chapter 4 summarizes land use plans and housing production efforts within the Study Area, including General Plan updates, Housing Element updates, parking and development standards, and several regional workforce housing initiatives. Chapter 5 summarizes outreach to large employers in the Study area, including 15 interviews with employers in the education, hotel, and entertainment industries. Chapter 6 presents a summary of the financial challenges to developing workforce housing, illustrated through a series of pro formas for prototypical projects. Chapter 7 culminates with a series of recommendations for joint and local initiatives to implement a Workforce Housing Strategy for the Westside.

Chapter 2: Understanding Workforce Housing

Key Concepts

In order to best understand the relationships between data and the experience on the ground of real people living their daily lives in a high cost housing market, the following provides a brief summary of several key concepts:

- **Household Income vs. Individual Worker Wages.** For this Study, Workforce Housing is defined the same way that the housing industry and all levels of government define affordable housing – based on the combined income of everyone living in a household. This is a key concept, and sometimes overlooked by studies of this type, which may focus just on the wages earned by an individual worker. Most people live in households with more than one adult worker, each earning an income from their work. All housing costs are shared by these combined worker incomes. Thus, the key to measuring how much a household can afford to pay for housing is the combined income of all workers in the household. This Study uses that measure.

This concept is also important from the employer’s standpoint, because many employers do not have information on the combined household income of their workers, and often assume that the “other” worker in the household is earning more wages, and that the total is sufficient to afford suitable housing. Conversely, some employers assume that if their worker earns \$40,000 a year, that this worker lives in a household with two people earning this same wage. The reality is that household incomes are not predictable based on just half of the equation. Thus, for any individual employer considering this issue, it is important to survey its workers, to learn more about their households’ combined incomes and commute patterns.

Area Median Income (AMI). Housing policies are usually defined through a series of mechanisms which derive from a benchmark “Area Median Income.” This number is published once per year by the U.S. Department of Housing and Urban Development (HUD) for every county in the U.S. This benchmark is then used by HUD and the California Department of Housing and Community Development (HCD) to generate the limits for extremely low, very low, low, and moderate levels of household income for each county. The result is a set of maximum household income limits, defining the top end of each segment of households eligible for various housing programs and other public sector support. While the calculation for the various income limits takes into account the Area Median Income (AMI), there are adjustments made due to high area housing costs and other factors. Los Angeles County, for example, has adjustments to its extremely low, very low, and low income thresholds to account for the area’s high housing costs. The income thresholds are also sometimes applied slightly differently for specific local funding streams.

- **Affordability.** This term is commonly used by policy-makers and housing analysts throughout the U.S. to describe the relationship between household income and the percent of income spent for housing costs. In general, housing analysts consider 30 percent of household income as the maximum amount that should be spent on housing costs; if a higher percent of housing income is spent, the result is considered unaffordable. Housing costs are defined generally as the total of mortgage payments, property taxes, and insurance for owner-occupied housing, and rent plus utilities for rental housing. While many lenders will lend a higher percentage of household income for some mortgage loans, depending on the loan program and the creditworthiness of the borrower, the 30 percent guide is nonetheless considered the most widely accepted threshold for affordability.

It should be noted that there are two key policy ways to align household income and housing costs to achieve affordability. One can increase effective household income, through tax deductions, tax credits, or mortgage terms that effectively stretch income as if it were higher (e.g., second mortgages, low downpayment programs, etc.), or one can lower the housing cost through numerous policy and programmatic mechanisms.

- **Vehicle Miles Traveled (VMT).** This term describes the distance traveled by automobile drivers or passengers. In this report, the term is used in several contexts, focusing on the relationships between the location of one's house and the location of one's workplace, and the vehicle miles travelled between these two locations. In general, people living in distant suburban communities have higher average VMTs, due to their commute-to-work patterns and other daily trips, than people living near their workplace. One of the key goals of most land use planners and transportation planners in California is to reduce the VMTs, which means reducing the distance between home and work, the single largest contributor to VMTs within a region.

Why Is Workforce Housing Important to the Westside?

Workers commuting into the Westside contribute to traffic congestion, air pollution, and greenhouse gas emissions.

The Westside area contains some of the most expensive housing markets in the U.S. According to Dataquick, the median sale price for single family homes sold in Westside Cities ranged from \$583,000 in a portion of Culver City to \$3,800,000 in a portion of Beverly Hills (June 2008). Few middle income households can afford these prices, resulting in large portions of the workforce choosing to live in less expensive, distant locations and commuting to their workplace. Although it is difficult to obtain data for specific workers from published sources, the relationship between expensive housing near work, less expensive housing in far-away suburbs, and resultant long distance commute patterns is well understood by Westside workers and employers.

These commute patterns create traffic congestion on all major throughways and freeways in the Westside which can spill over onto neighboring residential streets. In fact, the *2007 Urban Mobility Report* (Texas Transportation Institute, University of Texas A & M) ranked the Los Angeles/Long Beach/Santa Ana metropolitan area as the #1 most congested region in the U.S., with 72 hours per year

per traveler “lost” due to congestion. This means that the typical commuter driving an automobile spends 72 hours annually stuck in traffic, or driving at slower speeds than intended for the roadway, which equivalent to almost two weeks of work. While the cost of this lost time varies depending on the economic model used, costs range from \$14.50 to more than \$30 per hour, or more than \$2,100 a year to the traveler, who could be earning his/her pay at the job. From the employer’s perspective, this same “lost” time can represent lost productivity if it delays the worker’s arrival to work.

Commuting to work, especially by automobile, also contributes substantially to greenhouse gas emissions. The recently released Draft Scoping Plan (California Air Resources Board, 2008), which will implement AB32, California’s sweeping greenhouse gas reduction legislation, estimated that transportation contributes 40 percent of total greenhouse gas emissions in California. While improved automobile technology will reduce these emissions, many land use planners and policy-makers also recognize that moving housing closer to jobs will play a key role in overall reductions of greenhouse gases.

Workers commuting into the Westside are impacted in terms of their productivity.

Numerous studies cite loss of productivity and absenteeism as key factors stemming from increased vehicle miles traveled (VMT) by workers. While this Study could not identify Westside-specific data, national studies estimate that long commutes decrease worker satisfaction, and contribute to higher absenteeism (particularly for those families with children who cannot conveniently travel if family schedules are disrupted). These two factors culminate in a loss of productivity to the employer. Moreover, new research documents the impacts of living in auto-dependent environments, which contribute to higher rates of obesity, stress, and other health factors, all culminating in higher costs to employers.

The vitality of an economy depends on the ability of its workforce to afford their housing costs, and for communities to maintain a diversity of residents and a high quality of life.

In many industries creating the Los Angeles regional economy, the ability to attract and retain skilled employees is paramount to economic vitality. Talent and innovation drive the success of numerous employment sectors, from medical care to entertainment, design, and technology. Educational institutions also directly connect to this concept, with top universities needing to compete nationally and internationally to attract quality faculty members. If workers can not afford their housing costs, they will either move, change jobs, or pressure employers to compensate for the additional household burden. Put simply, the level of wages paid in high cost areas such as Los Angeles, to compensate for “high costs of living” directly reflect this relationship.

Conversely, communities on the Westside also find the area desirable due to its many amenities and high quality of life. One of the key aspects of these high quality communities is the ability to house a diversity of ethnic groups and income ranges. With the extremely high prices for housing resulting from the Westside’s desirability, however, communities face the challenge of maintaining their diversity.

The *Affordability Index* (SCAG, March 2008) analyzes the combined costs of housing and transportation on individual households for the Los Angeles region. This tool describes the true cost of living far from the workplace, demonstrating that while housing costs may be lower in distant suburban communities, the increased costs of transportation, when added to housing costs, can result in a greater total burden on working households, leaving little disposable income for other expenditures. The Affordability Index illustrates the household cost savings from locating near transit. This concept was first elaborated in *A Heavy Load: What Working Families Spend for Housing and Transportation* (Center for Housing Policy, 2006), which looked specifically at households earning \$20,000 to \$50,000 throughout major metropolitan areas of the U.S., and found that in the Los Angeles region, these two costs together accounted for 59 percent of spending by these households in 2000. This dynamic leaves scant room for these low income households to afford food and any other incidentals necessary for daily living.

Recent spikes in gas prices underscore this phenomenon. For many households with fixed costs for housing and food, when transportation costs rise dramatically, discretionary spending on retail goods will commensurately fall. This pattern directly affects retail merchants, restaurants, hotel operators, and many other sectors of the economy dependent on disposable household income.

Few public sector subsidies are available for the workforce household income segment.

Although local jurisdictions in California, including those in the Westside, devote considerable resources to addressing affordable housing needs for households earning up to 80 percent of Area Median Income (AMI), those earning more than 80 percent AMI are less supported. For the group earning between 80 to 120 percent AMI (e.g., moderate income households), some public support is available in selected locations, primarily through housing set-aside funds required to be spent on this income group by redevelopment agencies. West Hollywood, Culver City, and Santa Monica all have redevelopment project areas, and thus have modest program support available for the 80 to 120 AMI group. However, Beverly Hills does not have a redevelopment area, and thus does not have 80 to 120 percent AMI housing funding available. Moreover, there are no redevelopment areas in the four community plan areas of the City of Los Angeles included in this study; thus no funding from this source is available to those areas of Los Angeles. For those worker households earning from 120 to 180 percent AMI, there are no specific public sector funding or support programs available to address housing affordability within the Westside area.

Chapter 3: Workforce Housing Needs

This chapter profiles demographic and economic trends affecting workers and their households, in order to describe the Study Area's workforce and its housing needs. Data is provided in summary tables and graphs in this chapter, with detailed data tables included in Appendix B for further reference.

Demographic Trends

Overview of Population and Household Growth

Overall, the Study Area had almost 460,800 residents in 2000, increasing to 490,500 by 2007, an increase of just under 30,000 new residents (6.4 percent growth). This rate of growth was relatively slow compared to the State of California, where population increased by over 11 percent during the same period.

In 2000, the four incorporated Westside Cities had a total population of 192,500, rising 6.8 percent to 205,700 by 2007. In the City of Los Angeles portion of the Study Area, population grew slightly less rapidly, from 268,300 in 2000 to an estimated 284,800 by 2007, an increase of 6.2 percent².

Household growth for the Study Area was slightly slower than population growth, resulting in a slight rise in average persons per household. For the four incorporated cities, households increased by just under 2,000, while for the Los Angeles portion, households grew by just over 7,500, for a total increase of approximately 9,500 households in the Study area (an increase of 4.3 percent). This led to a rise in average household size from 2.00 to 2.05 persons per household. In comparison, the number of households increased by almost nine percent statewide, and average household size rose from 2.87 to 2.94. Thus, the Study Area is notable not only for its relatively slow pace of household growth, but also its relatively small average household size.

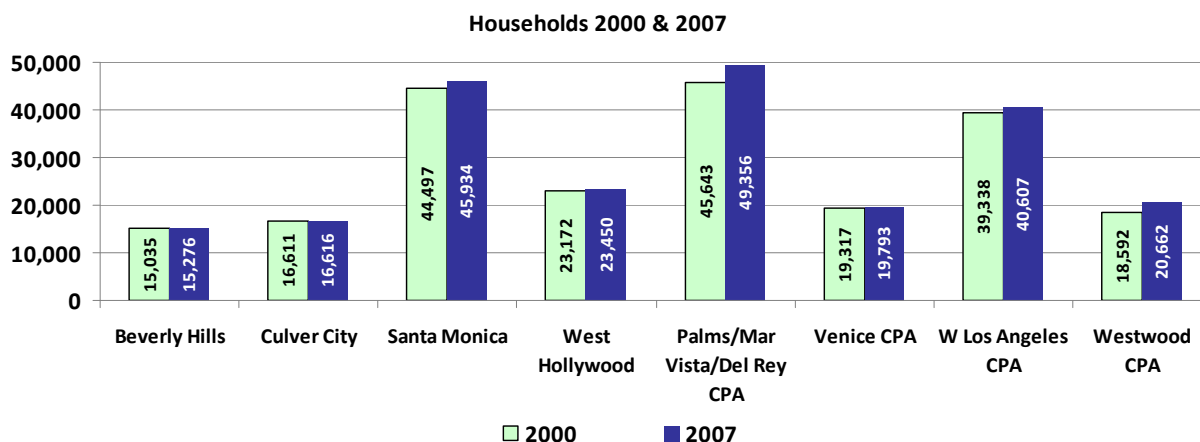
Population and Household Growth, 2000 - 2007				
	2000	2007	Change	
			Number	Percent
Westside Cities				
Population	192,478	205,653	13,175	6.8%
Households	99,315	101,276	1,961	2.0%
Household Size	1.90	2.00		
Los Angeles City Portion				
Population	268,301	284,846	16,545	6.2%
Households	122,890	130,418	7,528	6.1%
Household Size	2.08	2.09		
Total Westside Study Area				
Population	460,779	490,499	29,720	6.4%
Households	222,205	231,694	9,489	4.3%
Household Size	2.00	2.05		
California				
Population	33,873,086	37,662,518	3,789,432	11.2%
Households	11,502,871	12,524,401	1,021,530	8.9%
Household Size	2.87	2.94		
Notes: See Appendix B for detailed data.				
Sources: CA Department of Finance E-5, 2007; Claritas, 2007; BAE, 2008.				

² It should be noted that for the Community Plan Areas within the City of Los Angeles, the City's Department of Planning estimates for "occupied housing units" (same as households) differs slightly from the data shown in this report. This difference is due to the source of the 2007 estimates. For this report, estimates used are from Claritas, a private data vendor, and are a sum of the Census Tracts making up each Community Plan Area. The City's Department of Planning estimates are from its Demographic Research Unit, and indicate that just 5,412 households were added during the 2000 – 2007 time period (4.4 percent increase), a smaller increase than the estimate of 7,528 used in this Study.

Breakdown Within Study Area

Each of the four cities experienced different rates of growth. Beverly Hills grew from 33,784 to 36,804 residents (6.8 percent increase), while Culver City, the second largest community, increased from 38,816 to 40,792 residents (5.1 percent increase). Santa Monica, the largest of the Westside Cities, began the decade with 84,084 residents, and added 7,040 residents during the period (8.4 percent increase). West Hollywood's population rose moderately from 35,794 to 37,653 (5.2 percent increase). In the City of Los Angeles portion of the Study Area, the Palms-Mar Vista –Del Rey area and Westwood both increased 8.6 percent in population, while West Los Angeles grew just 3.8 percent and Venice 1.3 percent.

Household growth in Beverly Hills was nearly flat, with 241 new households added during the period for an increase of just 1.6 percent. Culver City experienced almost no growth in households, according to the data source used in this report (although it should be noted that Culver City staff identified 160 building permits issued during the period). Santa Monica added 1,437 households (3.2 percent growth), while West Hollywood grew by just 278 households (1.2 percent). The combined household growth for the four City of Los Angeles Community Plan Areas rose by roughly 7,500 for the period (6.1 percent growth) according to the data used for this report³.



Sources: U.S. Census (2000), CA Department of Finance for incorporated cities and Claritas for CPAs (2007), BAE 2008.

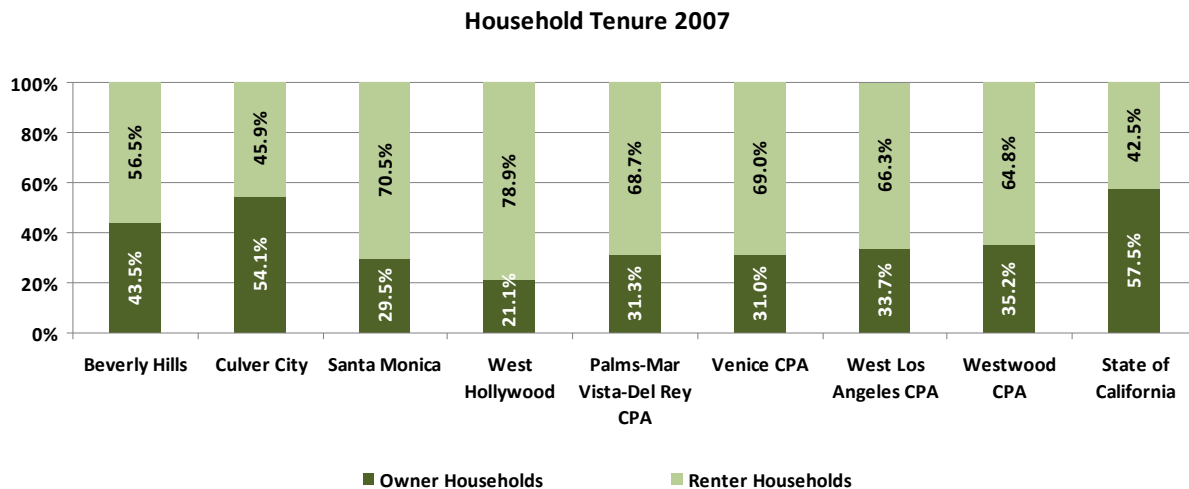
³ The City of Los Angeles' own estimate for these Plan Areas was lower, at just over 5,400 households added (4.4 percent growth) during the period.

Overview of Tenure Patterns

Overall, the Study Area has a relatively low homeownership rate, at 33.1 percent in 2007, and shows a slight decline since 2000. Within the Westside Cities portion, ownership rates were slightly higher (33.7 percent) than in the City of Los Angeles portion (32.6 percent). These ownership rates are substantially below the State of California, with an ownership rate of over 57 percent. Statewide rates have also trended upwards slightly since 2000.

Breakdown Within Study Area

Among the four Westside Cities, ownership rates vary widely, with Culver City demonstrating the highest homeownership rate, at 54.1 percent in 2007. Beverly Hills has a relatively low ownership rate of 43.5 percent, followed by Santa Monica (29.5 percent) and West Hollywood (21.1 percent). In the Los Angeles portion of the Study Area, ownership rates ranged from Venice, at 31.0 percent, up to Westwood, at 35.2 percent.



Source: Claritas, 2007; BAE, 2008.

Measuring Supply: Jobs, Housing Units, and Commute Patterns

Overview of Ratio of Jobs-to-Employed Residents

One of the key measures of a region which relates the number of jobs to the number of households containing workers is called the “jobs-housing ratio.” This measure describes the relationship between the number of jobs in an area, and the number of housing units which theoretically, at least, could house the employees in the jobs. A shortfall of housing units relative to jobs in an area can cause major in-commuting from elsewhere; a shortfall of jobs relative to housing units, can cause major out-commuting to job centers elsewhere.

The goal of many policymakers and planners in California’s urban regions is to seek a “balance” between jobs and housing units, so that the people who live in the housing unit can at least balance with the number of jobs in a region. Essentially, this is a way to identify shortfalls in housing unit production in job-rich areas, or shortfalls in local jobs in housing-rich areas.

For some areas, just describing the number of jobs compared to housing units can distort the need for more jobs or more housing units, due to aspects such as a high concentration of non-working seniors, or other factors. Thus, a slightly more precise way to describe the balance between jobs and housing is to measure the ratio of jobs in an area to the number of employed (e.g., working) residents in the same area. This measure can also be more meaningful than the simple jobs-housing ratio, since it accounts for the fact that in contemporary society, there is often more than one worker in each housing unit.

The Study Area contains substantially more jobs (just under 400,000 jobs in year 2000) than working residents (about 247,000 residents worked at various locations within or outside of the Study Area, in year 2000). Expressed as a ratio, the Westside Study Area had 1.6 jobs for every employed resident. In comparison, statewide, this ratio is 1, meaning that there is one job in the state matching each person who is employed somewhere within the state. The graph below provides the ratio of jobs-to-employed residents for each city within the Study Area. Thus, the Study Area lacks a sufficient supply of housing to meet the logical ratio of one working resident to fill every job in the same area. To balance the Study Area in terms of adding sufficient housing units, approximately 94,000 new units would need to be added to the existing Study Area housing supply (assumes roughly 1.6 workers per household, the statewide average).

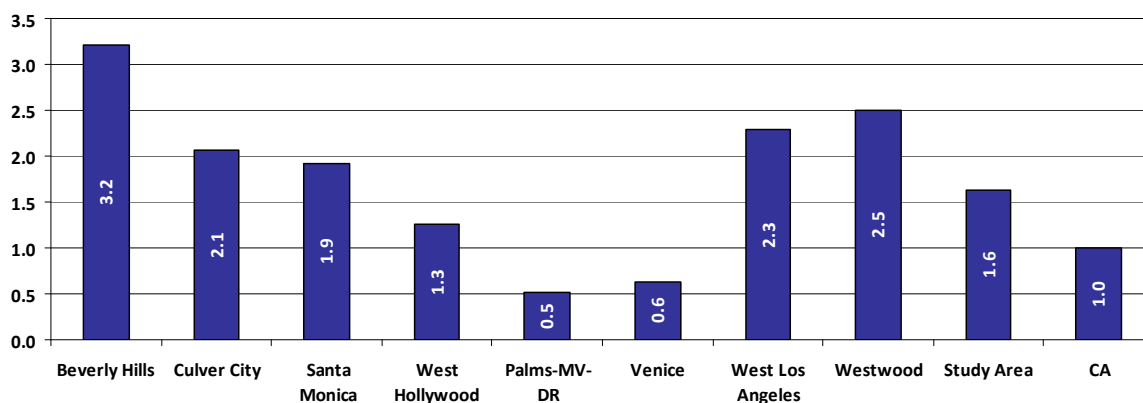
Breakdown Within Study Area

Each sub-area of the Study Area presents a different balance between jobs and employed residents.

Among the four Westside Cities, Santa Monica has the largest total number of jobs as well as employed residents, but the ratio of jobs to residents was 1.9 in 2000, indicating a very job-rich community. Beverly Hills, with just over 50,000 jobs in 2000, had a ratio of 3.2 jobs per employed resident, an even more substantial job concentration relative to working residents. Culver City also had a greater supply of jobs than working residents (2.1 ratio). Only West Hollywood approached a more balanced ratio, with 1.3 jobs per working resident. Overall, for the Westside Cities portion of the Study Area, the ratio of jobs-to-employed residents was 1.4. For the Los Angeles portion of the Study Area, the Palms-Mar Vista-Del Rey area and Venice had an under-concentration of jobs compared to working residents, with ratios of 0.5 and 0.6 respectively. These were offset by West Los Angeles and Westwood, which both exceeded ratios of 2 jobs per working resident, resulting in an overall ratio of 1.3 jobs per working resident for the Los Angeles portion of the Study Area.

It should be noted that the measures presented above, jobs-housing balance and more specifically, jobs-to-employed residents, measure merely the quantity of jobs and housing units, not the relationship between dollars earned as a job-holder, household incomes, and affordability / costs of housing. These more complex issues are analyzed later in this chapter.

Ratio of Jobs-to-Employed Residents, 2000



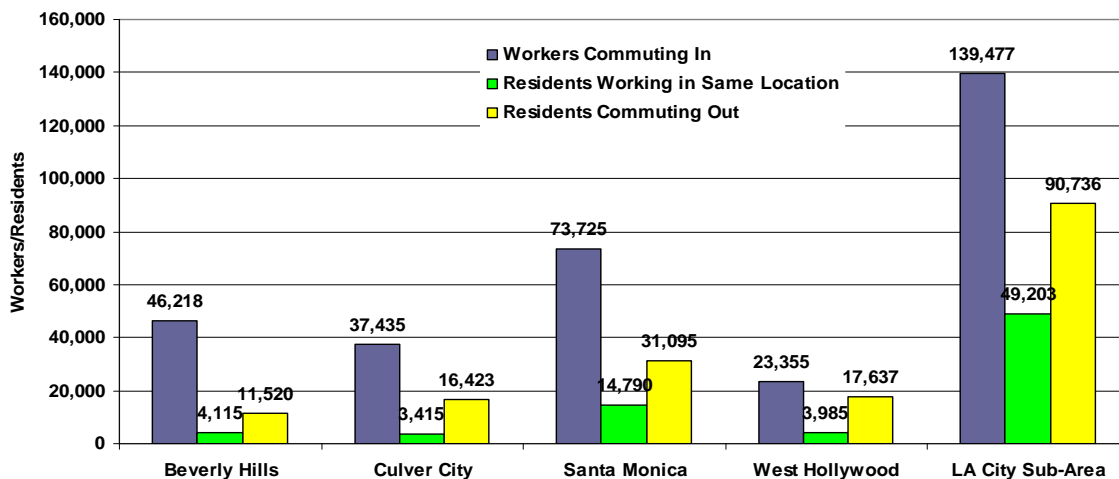
Commute Flows

As a result of the lack of sufficient housing units to accommodate the number of workers holding jobs in the Westside (and their households), the Study analyzed where workers live. The Study Area presents a complex picture of where workers live. As shown in detail in Appendix B-2 and summarized in the graph below, data from 2000 (latest available for this analysis) shows that each jurisdiction in the Study Area had a substantial influx of workers to fill jobs in the same location.

In 2000, just 4,115 of out 50,333 jobs located in Beverly Hills were held by residents of the City. This means that 46,218 workers (92 percent of all workers) commuted into the City, primarily from their residences in Los Angeles. At the same time, of the 15,635 adult residents of Beverly Hills who worked, 11,520 (74 percent) commuted out of Beverly Hills to their place of work, primarily to locations in Los Angeles. This substantial in-commuting and out-commuting causes significant traffic congestion, especially during peak periods of the business day. Similar in- and out-commuting patterns hold for each of the Westside cities, ranging from 83 to over 90 percent of all jobs in each city held by commuters coming into the jurisdiction from homes elsewhere. For the Los Angeles City Sub-Area, almost 74 percent of workers commute in to work.

Viewed from the perspective of residents of each community, among residents of Culver City and West Hollywood, just 17 to 18 percent stay in town to work, with the rest commuting elsewhere. Santa Monica residents have a higher percentage (32 percent of employed residents remain in town to work). For the Los Angeles City portion of the Study Area, 35 percent of residents remain in the area to work. To reduce these commute flows, the center bar for each area shown below would need to rise substantially; in other words, more people would need to both work and live in the same location. This process can be considered one of the key reasons to promote workforce housing – to increase working and living in the same community, reducing traffic congestion into and out of a community on a typical work day.

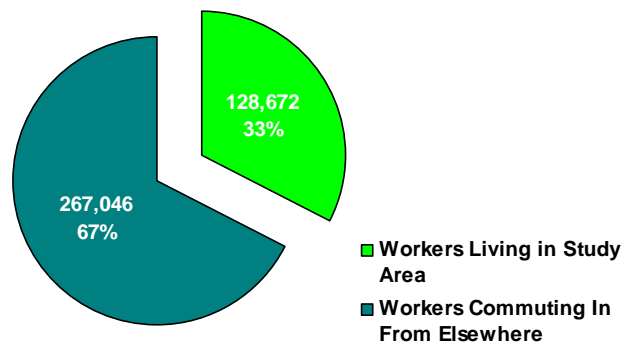
Commute Flows for Study Area, 2000



Source: 2000 U.S. Census Transportation Planning Package (CTPP); BAE 2008.

The data was also analyzed on a composite basis, for the Study Area as whole, from the perspective of all workers living within the Study Area versus commuting in from elsewhere. As shown below, the overall Study Area had a total of just under 400,000 jobs in 2000. Approximately 33 percent of the workers filling these jobs lived within the Study Area, while 67 percent commuted into the Study Area from elsewhere.

Overall Study Area Commute Flow, 2000



Overall Study Area Commute Flow, 2000

Workers Living in Study Area	128,672	32.5%
Workers Commuting In From Elsewhere	267,046	67.5%
Total Jobs in Study Area	395,718	100.0%

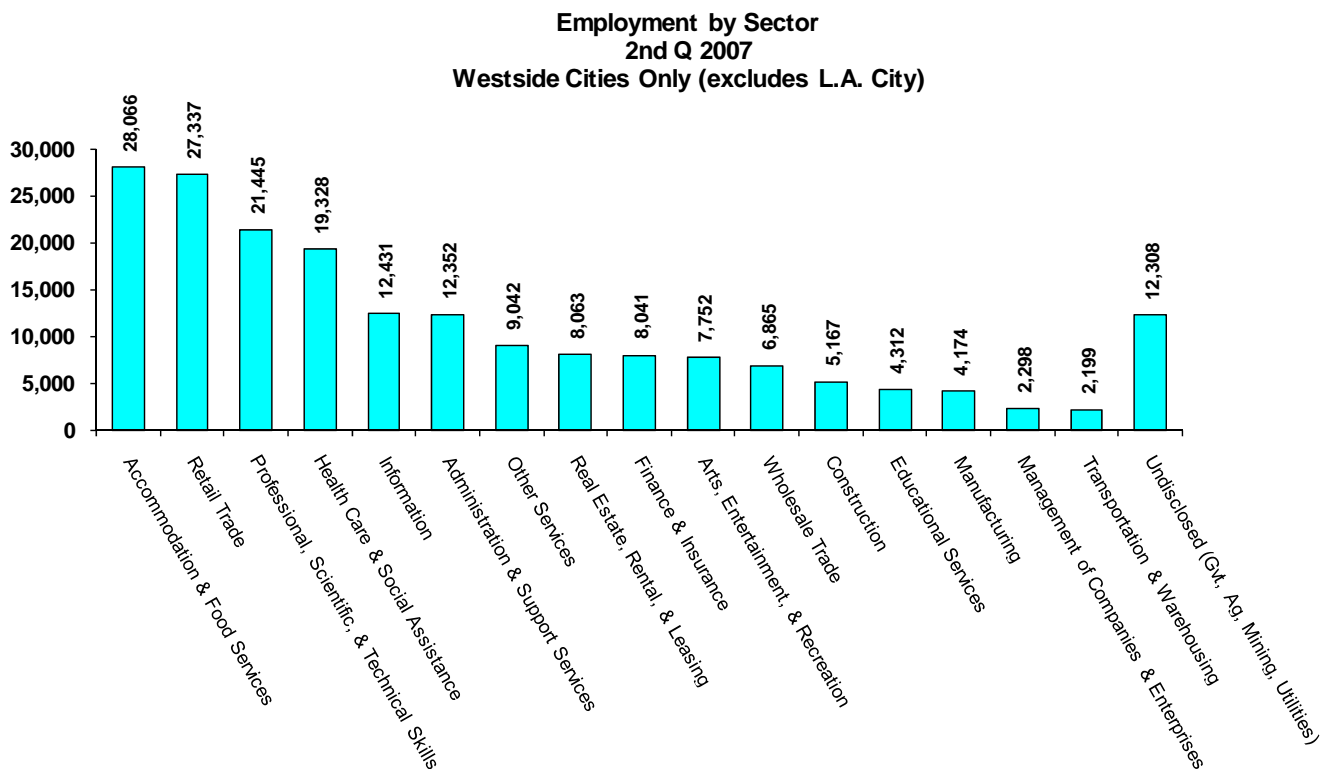
Source: 2000 Census Transportation Planning Package (CTPP); BAE 2008.

The majority of residents of both the Westside Cities and the Los Angeles Sub-Area choose to commute to work by automobile. The vast majority of these commuters are driving alone. Long commutes force residents to spend less time in their communities and homes and expend significant amounts of their incomes on car-related expenses, as discussed in the next section. Relying on automobiles to commute to work also contributes to climate change. According to the US EPA, for each worker not driving just two days per week, greenhouse gas emissions will be reduced by an average of 1,600 pounds per year. Strengthening and expanding public transportation by implementing the Exposition Line, building the Subway to the Sea and improving bus service will shorten commutes to work, reduce the cost of commuting, and help to mitigate climate change. All of these investments will have significant benefits for residents. However, notwithstanding needed transit investments, the surest way to shorten commute times is to create housing opportunities for employed residents to live closer to their place of work.

Measuring Affordability: Employment, Incomes, and Housing Costs

Composition of Employment

The challenge of providing housing for workers supporting the economy of the Study Area impacts a wide array of industries and employers. The graph below depicts the composition of jobs by industry sector, for the four Westside Cities (excludes portion of Study Area in City of Los Angeles). This data is based on unpublished zip-code information available from the California Employment Development Department (EDD) obtained specifically for this report.



Source: CA Employment Development Department, unpublished zip code data; BAE 2008.

The two largest sectors - Accommodation & Food Services and Retail Trade – tend to have relatively low wages and likely represent substantial portions of the in-commuting from less expensive areas. These two sectors together accounted for over 55,000 jobs in the Westside Cities, over one-quarter of total jobs. The next categories of substantial employment – Professional, Health Care, and Information, are likely to also contain subcategories of workers living in households facing challenging housing costs. Finally, sectors including Administration, Education, and Transportation & Warehousing also likely contain numerous workers with housing affordability concerns.

Largest Employers

For this Study, each participating jurisdiction provided a listing of its top 10 largest employers, as shown in Appendix B. Based on this information, the largest 10 employers in all cities in total accounted for approximately 60,200 jobs⁴.

Higher educational institutions accounted for the largest category, with more than 23,600 jobs throughout the Westside, including UCLA and several community colleges. This sector tends to often be concerned about worker recruitment and the cost of housing for its workforce. Health care, the second largest category with almost 7,900 jobs, is another sector often concerned with the impact of housing costs on its workers, particularly those hospitals facing nursing shortages. Entertainment and lodging were also substantial components of the largest employers, with more than 6,300 and 5,800 jobs respectively. Local governments and school districts constituted additional large employment sectors, with 4,000 and nearly 2,900 jobs, respectively; both local governments (particularly first responders) and many school districts in California have experienced challenges due to worker commute distances and costs of housing. Retail, which formed another category of large employers in the Westside with over 2,800 jobs, is traditionally a job sector facing severe labor cost constraints and worker housing issues. In the Westside, the balance of the large employers were categorized either as professional services, finance, manufacturing, or technology, all sectors which can face recruitment challenges.

Summary of Westside Study Area Largest Employers	
Higher Education	23,607
Health Care	7,898
Entertainment	6,310
Lodging	5,828
Local Government	4,063
School District	2,867
Retail	2,821
Professional Services	2,621
Finance	2,200
Manufacturing	1,200
Technology	800
Total	60,215
Sources: City of Beverly Hills; Culver City; Santa Monica; West Hollywood; Los Angeles, BAE 2008.	

⁴ Note that these employers were selected by each city. In the City of Los Angeles sub-regional portion of the Study Area, the Los Angeles Unified School District was not identified as one of the top 10 employers, since their employees work throughout the City, but are nonetheless another substantial employment group to consider in workforce housing.

Worker Household Incomes

When considering workforce housing, the household incomes of people who work in the Study area is the key variable, because housing affordability is based on all the income earned by a household, which often includes more than one adult working member. It is also important to recognize that workers may have a very different household income profile than residents of a community, particularly those workers who live elsewhere and commute in to their job. While a worker's housing choice may be directly linked to their household's inability to afford to live close to their place of employment due to high housing costs in that employment location, many other factors will also impact worker household housing choices, including the distance of a second worker to his/her employment location, school quality, and proximity to other amenities.

The 2000 U.S. Census calculates the household incomes of the people who work in the Westside Cities, as well as the household incomes of residents of the same cities who work anywhere (i.e., employed residents). This data is shown in detail in Appendix B for each jurisdiction, and summarized below.

Overall for the Study Area, workers' household incomes tend to fall at the lower end of the spectrum. Almost 29 percent of all workers live in households earning less than \$52,300. Another 34 percent live in households earning between \$52,300 and \$98,000.

Summary of Worker Household Income Distribution

2000 Household Income (a)	Inflated to 2007 Household Income	Study Area Worker Households	
		Number	Percent
Less than \$10,000	Less than \$13,084	12,614	3.2%
\$10,000 - \$19,999	\$13,085 - \$26,168	25,631	6.5%
\$20,000 - \$29,999	\$26,170 - \$39,253	35,178	8.9%
\$30,000 - \$39,999	\$39,254 - \$52,338	39,855	10.1%
\$40,000 - \$49,999	\$52,339 - \$65,423	36,340	9.2%
\$50,000 - \$59,999	\$65,424 - \$78,507	35,142	8.9%
\$60,000 - \$74,999	\$78,509 - \$98,134	45,483	11.5%
\$75,000 - \$99,999	\$98,136 - \$130,846	54,005	13.7%
\$100,000 - \$124,999	\$130,848 - \$163,558	35,314	8.9%
\$125,000 - \$149,999	\$163,560 - \$196,270	21,111	5.3%
\$150,000 - or more	\$196,272 - or more	54,627	13.8%
Total		395,300	100%

Notes:

(a) 2000 data is from Census (which represents 1999 incomes).

2007 income ranges inflated using CPI for Los Angeles-Riverside-Orange County.

Sources: Census Transportation Planning Package Tables 1-030 & 2-030, 2000; BAE, 2008.

Affordability of Housing for Westside Worker Households

Analysis for this report included an estimate of how many Westside workforce households fall into the household income definition used in this report, as well as a detailed assessment of how household incomes of workers in the Study Area match with available for-sale housing prices and rental rates.

To conduct this analysis, a multi-step process was followed:

1. Identify the household income ranges currently falling into the definition of Workforce Housing used in this report (80 to 180 percent AMI). Also calculate the maximum house sale price or rental rate (including utilities) which each Workforce Housing Income category can afford in Los Angeles County.
2. Estimate the number of worker households falling within the Workforce Household Income range of 80 to 180 percent AMI, as defined for this Study.
3. Compare estimated 2007 worker household incomes for workers to current sale prices of market rate housing units and market rents in each city.

Income Limits/ Affordable Sale Prices and Rents

The California Department of Housing and Community Development (HCD) publishes income limits each year for each county in California, which define the maximum level of household income in each category of low and moderate income upon which most housing programs are based. The income limits are derived by the federal government starting with the Area Median Income (AMI) based on a formula that includes adjustments for high-housing cost areas and other factors. It should be noted that these published income limits end at 120 percent AMI, because most federal and state housing programs only go up to this income limit. However, many communities experiencing high market rate housing prices, such as those in the Westside Study Area, are exploring increments of income above 120 percent AMI to better address needs for workforce housing. Thus, the table below provides information for each tier of workforce housing per the definition established for this Study from 80 to 180 percent AMI, for a one-person and a four-person household. For convenience, the table also shows the maximum affordable house price and /or rent (including utilities) for each income category as well. Details for these calculations are shown in Appendix B, along with equivalent estimates for additional household sizes.

Workforce Household Income Limits by Household Size for Los Angeles County, 2007 (a)						
Income Category	1-Person Household			4-person Household		
	Income	Max Price	Max Rent	Income	Max Price	Max Rent
100% AMI - Median	\$39,600	\$163,734	\$990	\$56,500	\$233,610	\$1,413
80 to 120% AMI - Workforce Tier 1	\$47,500	\$196,398	\$1,188	\$67,800	\$280,332	\$1,695
120 to 150 % AMI - Workforce Tier 2 (b)	\$59,400	\$245,601	\$1,485	\$84,800	\$350,622	\$2,120
150 to 180 % AMI - Workforce Tier 3 (c)	\$71,280	\$294,721	\$1,782	\$101,700	\$420,498	\$2,543
Notes:						
(a) 100% AMI (median) is less than 80% AMI for Los Angeles County. From HUD, due to mix of adjustments by federal government.						
(b) These values were calculated by BAE as 1.5 multiplied by the published median for the particular household size.						
(c) These values were calculated by BAE as 1.8 multiplied by the published median for the particular household size.						
Sources: California Department of Housing and Community Development, 2007; BAE, 2008.						

Number of Westside Workforce Households

Analysis for this section was undertaken to identify the range of estimated worker households within various income categories for the Study Area jurisdictions, per 2007 household income limits (e.g, AMI levels). The results of this analysis, detailed in Appendix B, are summarized below. It should be noted the analysis is an estimate of a range of number of households only, because income categories in affordable housing policy depend on household size, but the breakdown of worker household by both income and household size is not available for the Study Area.

Ordinarily, a housing analyst would assume a household of four persons, and express the analysis using this size. However, in the Study Area, average resident households sizes are much smaller than four-persons, especially in West Hollywood and Santa Monica; thus, the “typical” expression of housing need based on a household of four was not considered by the Westside Cities Working Group as sufficient for this report. Thus, the analysis provides a range based on a) if all worker households were one-person only, up to b) if all worker households were four-person only. This results in the range estimate shown below (detailed data is shown in Appendix B).

Summary Estimate of Number of Westside Worker Households Between 80 & 180% AMI, 2007			
	Number of Worker Households for Study Area		
	If All 1-Person		If All 4-Person
80% -120% AMI - Workforce Tier 1	18,430	to	23,666
120 -150% AMI - Workforce Tier 2	34,349	to	43,341
150% - 180% AMI - Workforce Tier 3	32,457	to	36,787
Total	85,236	to	103,794
Total Number of Worker Households	395,300		395,300
<i>Share between 80 and 180% AMI</i>	<i>21.6%</i>		<i>26.3%</i>
See Appendix B for detailed analysis			

As indicated, the Study Area overall contains an estimated 85,236 to 103,794 workers living in households throughout the region, and with household incomes falling within this Study’s defined range for workforce housing described in Chapter 1. These households represent approximately 22 to 26 percent of all households in the region containing workers who hold jobs located within the Study Area.

Affordability of Current For-Sale Market

The current marketplace of for-sale housing units in the Westside Cities offers very limited opportunities for workers to purchase housing, as shown below detailed in Appendix B.⁵ Depending on the household size of the purchaser (due to variations in maximum income and corresponding sale prices deemed affordable), the Westside Study Area contained a total of between 41 and 242 units considered affordable for the highest level of workforce household income defined for this Study. As shown in the detailed data tables in Appendix B, almost all of these sales were for condominiums in the four-person

⁵ According to Culver City staff, sales in Culver City often include speculative purchases by developers seeking to construct multiple units; more research would be needed to establish these cases.

household category and Tier 3 income category , earning incomes up to 180 percent AMI (\$101,700). These data cover the time period of January 1 through June 30, 2008, and thus incorporate the current downturn in the marketplace, making these limited opportunities to afford ownership housing in an area as large as the Westside even more dramatic.

Summary Comparison of Affordable Sale Prices to Recent Sales in Westside Study Area, Jan 2008 - June 2008 (a)				
Income Category	Income Limit (b)	Maximum	# of Sales	% of Sales
If Buyer is a 1-Person Household				
30% AMI - Extremely Low	\$15,550	\$64,294	1	0.1%
50% AMI - Very Low	\$25,900	\$107,088	4	0.3%
80% AMI - Lower	\$41,450	\$171,383	5	0.4%
120% AMI - Workforce Tier 1	\$47,500	\$196,398	11	0.8%
150% AMI - Workforce Tier 2	\$59,400	\$245,601	7	0.5%
180% AMI - Workforce Tier 3	\$71,280	\$294,721	13	1.0%
Units Affordable for up to 180% AMI Households			41	3.1%
Remaining Units - Not Affordable to Workforce Households			1,266	96.9%
Total - All Recently Sold Units			1,307	100%
If Buyer is a 4-Person Household				
30% AMI - Extremely Low	\$22,200	\$91,790	3	0.3%
50% AMI - Very Low	\$37,000	\$152,983	5	0.5%
80% AMI - Lower	\$59,200	\$244,774	7	0.7%
120% AMI - Workforce Tier 1	\$67,800	\$280,332	16	1.5%
150% AMI - Workforce Tier 2	\$84,800	\$350,622	66	6.2%
180% AMI - Workforce Tier 3	\$101,700	\$420,498	145	13.6%
Units Affordable for up to 180% AMI Households			242	22.7%
Remaining Units - Not Affordable to Workforce Households			1,065	81.5%
Total - All Recently Sold Units			1,307	100%
Notes:				
(a) Full and verified sales for single-family residential and condominium units from January 1, 2008 through June 30, 2008.				
(b) Income limits as set by HCD for 1 and 4-person households up to 120 % AMI. Higher tiers of workforce income limits estimated by B				
See Appendix B for detail by product type.				
Sources: California Department of Housing and Community Development, 2007; DataQuick, 2008; BAE 2008.				

Affordability of Current Rental Market

Evaluating the cost and availability of rental housing for the defined 80 to 180 percent AMI worker households is a challenging task, due to limited information available regarding current market rate rents in each Westside City. The table presents available data for Santa Monica and West Hollywood. Two sources were obtained. For larger complexes with more than 50 units, data is shown from RealFacts (a private data vendor), giving a picture of one segment of the rental market in each community. In addition, the City of Santa Monica and the City of West Hollywood Rent Boards track rental rates of “registered” units subject to rent control (primarily units constructed prior to 1979). Since 1999, these units have been “decontrolled” meaning that when vacated, rents can be raised to market rates. In 2007, the City of Santa Monica Rent Board reported that 483 registered units were vacated and re-rented at market rates, with new median rents ranging from \$1,250 for a studio to \$2,979 for a three bedroom unit. West Hollywood’s data is collected as average rents for the same type of decontrolled units, and their data reports 957 units in this category for the past year, with rents ranging from \$1,222 for a studio, to \$2,600 for three bedrooms.

Comparison of these data with maximum rents for 80 to 180 percent AMI households indicates that most workforce households would not be able to afford average rents / median rents in Santa Monica or West Hollywood. However, it should be noted that these data are limited to averages and medians, meaning that a portion of the rental inventory would be priced below these levels and likely affordable to workforce households.

Market Rate Rent Data, Santa Monica, 2007					
4th Quarter Market Rents - Large Complexes (from RealFacts) (a)					
Unit Type	Number	Percent of Mix	Avg. Sq. Ft.	Avg. Rent	Avg. Rent Per Sq. Ft.
Studio	328	10.7%	473	\$2,445	\$5.17
1 BR/1 BA	1,852	60.4%	689	\$2,911	\$4.22
2 BR/1 BA	49	1.6%	850	\$3,262	\$3.84
2 BR/1.5 BA	30	1.0%	1,055	\$3,600	\$3.41
2 BR/2 BA	756	24.7%	1,119	\$4,574	\$4.09
2BR/2.5 BA	30	1.0%	1,281	\$4,251	\$3.32
3 BR/2 BA	19	0.6%	1,555	\$4,649	\$2.99
All	3,064	100.0%			
Median Market Rents - Decontrolled Units Rented at Market Rents in 2007					
Unit Type	Number	2007 Median			
Studio	NA	\$1,250			
1 BR	NA	\$1,595			
2 BR	NA	\$2,132			
3+ BR	NA	\$2,979			
Total	483				
(a) Represents only housing complexes with 50 units or more.					
Sources: Santa Monica Rent Board, 2008; BAE, 2008.					

Market Rate Rent Data, West Hollywood, 2007					
4th Quarter Market Rents - Large Complexes (from RealFacts) (a)					
Unit Type	Number	Percent of Mix	Avg. Sq. Ft.	Avg. Rent	Avg. Rent Per Sq. Ft.
Urban Loft	3	15.8%	720	\$2,909	\$4.04
Studio	85	447.4%	453	\$1,493	\$3.30
Junior 1 BR	42	221.1%	634	\$1,186	\$1.87
1 BR/1 BA	273	1436.8%	818	\$1,581	\$1.93
2 BR/1 BA	8	42.1%	1,200	\$1,550	\$1.29
2 BR/2 BA	128	673.7%	932	\$2,832	\$3.04
All	536	2821.1%	778	\$1,841	\$2.37

Avg. Market Rents - Decontrolled Units Rented at Market Rents in 2007		
Unit Type	Number	Avg. Rent
Studio	206	\$1,222
1 BR	532	\$1,506
2 BR	203	\$1,945
3 BR	15	\$2,568
4 BR	1	\$3,900
Total	957	

(a) Represents only housing complexes with 50 units or more.

Sources: City of West Hollywood, 2008; BAE, 2008.

Impact of Commuting on Affordability

One of the less obvious ways that this cycle of in-commuting from more distant, more affordable housing markets to jobs in the Westside impacts households is that affordability can be considered as both incomes compared to housing costs and the added cost of the commute. With gas prices recently spiking, this somewhat “hidden” additional cost has received more attention.

A recently-released interactive website, as well as a report entitled the *Affordability Index Toolkit* (SCAG, March 2008), profiles a tool developed for the Southern California Association of Governments based on national research by the Center for Transit Oriented Development (CTOD) and its partners⁶. This research resulted in development of a model (the Index) which estimates the amount of household income spent on both housing and transportation costs, and to assess the benefits of locating housing near transit in terms of overall household savings on these combined items. The Affordability Index, primarily a descriptive tool, allows analysis of existing conditions to demonstrate the value of living near transit and/or place of employment.

The Index found that the average household in the SCAG region spends 54 percent of income on housing and transportation, roughly seven percent higher than the national average of 47 percent. This includes 10.6 percent more spent regionally on transportation (average regional household spends 29.6 of income on transportation compared to 19 percent nationally). As the Affordability Index Toolkit report states, “For a household with limited financial resources, making a careful decision about where to buy or rent necessitates weighing the relative costs of living in different neighborhoods – costs that cannot be fully understood unless one combines the cost of housing with the cost of transportation in a particular neighborhood.”

The Toolkit report also describes an analysis of six case study neighborhoods within the region. Three case studies (Koreatown, downtown San Bernardino, and downtown Glendale) demonstrate affordable Housing + Transportation costs well below the national benchmark of 47 percent. The Toolkit notes that these findings are particularly interesting despite the high cost of housing in these locations relative to the U.S. The Toolkit report attributes this enhanced affordability in part to the fact that car ownership is significantly lower than the regional average in all three case studies; households own an average of just one car in Koreatown and San Bernardino downtown, and just 1.3 in downtown Glendale, compared to 1.7 in the region as a whole.

⁶ <http://www.compassblueprint.org/toolbox/affordabilityindex>

Summary of Workforce Housing Needs

Overall Study Area Findings

- **The Study Area lacks sufficient housing inventory to house its workers.** The Study Area has approximately 396,000 jobs, but 67.5 percent of the people working in these jobs commute in to the Westside from other locations. In order to achieve a balance between the number of jobs and employed residents in the Westside Study Area, approximately 94,000 new units would need to be added to the total Study Area to achieve this balance. Moreover, these units would need to be diversified by price to be affordable to all workers, including approximately one-third priced at levels affordable to the target population for this Study. These estimates are based on 2000 commute data, and do not account for subsequent job or housing unit growth.
- **The Study Area has an extremely limited for-sale housing market in terms of prices affordable to worker households.** Based on sale prices for units sold during the first half of 2008, just 3 percent of housing units sold in the Study Area would be affordable to one-person workforce households up to 180 percent AMI, with the bulk of these affordable to the Tier 3 category (150 to 180 percent AMI). If the worker household have four people, the formulas suggest somewhat more affordability, with up to 23 percent of the sales affordable up to 180 percent AMI (but again, most of these could only be afforded by the 150 to 180 percent Tier 3 category, and the sales data indicated that these units were mostly small two-bedroom condominiums which do not match four-person households' needs). This suggests that many households with Westside workers choose to live in distant, less expensive areas in order to achieve homeownership, or to obtain a unit which meets their needs.
- **The loss of rental units in from rent control exacerbates the situation for renter households.** The cities of Santa Monica, West Hollywood, and Los Angeles all have longstanding rent control programs for units constructed up until the late 1970s. Due to several changes in state law in since the regulations were enacted, however, thousands of formerly affordable rental units have been "lost" to rising rents as units become vacant and re-rented, with rents allowed to rise to market rates during the process. This erosion of a supply of relatively inexpensive rental units, forming a key portion of the overall housing inventory serving the workforce in the Westside Study Area, exacerbates the situation for those households who rent.

Summary for Cities within the Study Area

Beverly Hills

Beverly Hills added 241 new households since 2000. With substantially more jobs than employed residents (3.2 jobs per employed resident), and more than 90 percent of workers commuting in to Beverly Hills jobs from elsewhere, the community is a job center in the Westside. The community has a relatively low homeownership rate of 43.5 percent. Up to 10,600 worker households fall within the workforce household AMI definition for this Study, with most of these workers commuting in to Beverly Hills.

Culver City

Culver City added almost no new households since 2000 according to Department of Finance, although city permit records indicate 160 new units were constructed. With the current homeownership rate at 54.1 percent, Culver City has the highest ownership rate within the Study Area, along with relatively less expensive housing costs. Culver City has substantially more jobs than employed residents (2.1 jobs per employed resident), and more than 90 percent of workers commute in to their jobs from elsewhere. Up to 9,100 worker households fall within the workforce household AMI definition for this Study.

Santa Monica

Santa Monica added 1,437 new households since 2000. Its current homeownership rate is very low, at 29.5 percent. Santa Monica has more jobs than employed residents (1.9 jobs per employed resident), but at a less dramatic imbalance than other parts of the Study Area. More than 80 percent of workers commute in to their jobs from elsewhere. Up to 19,200 worker households fall within the workforce household AMI definition for this Study. Santa Monica has also experienced a shift in its rental housing market, with the erosion of the formerly inexpensive rent-controlled apartment inventory.

West Hollywood

West Hollywood added 278 new households since 2000. The current homeownership rate is very low, at 21.1 percent, which is the lowest of any portion of the Study Area. West Hollywood has slightly more jobs than employed residents (1.3 jobs per employed resident), the least imbalanced of any portion of the Study Area. Despite this, more than 85 percent of people working in West Hollywood commute in to their jobs from elsewhere, demonstrating the limits of merely quantifying numbers of jobs and units without considering affordability. Up to 6,400 worker households fall within the workforce household AMI definition for this Study.

Los Angeles Community Plan Areas

The four Community Plan Areas forming the City of Los Angeles portion of the Study Area added approximately 7,500 new households since 2000, according to the data estimates used in this Study (City of Los Angeles estimates indicate a smaller increase of just 5,400 households during the period). The current homeownership rate is 32.6 percent. The combined Los Angeles portion has slightly more jobs than employed residents (1.4 jobs per employed resident). Up to 39,900 worker households fall within the workforce household AMI definition for this Study.

Chapter 4: Land Use & Housing Plans

This chapter provides an overview of current General Plan policies, draft Housing Element housing production programs and opportunity sites, and special studies for each jurisdiction within the Study Area pertaining to workforce housing. This chapter also provides a summary of residential parking standards and other potential barriers to housing production.

Beverly Hills

General Plan Overview

The Beverly Hills General Plan was last approved in 1977, with periodic amendments to the Housing and Land Use elements in subsequent years. An update of the General Plan commenced in 2002, and the draft General Plan was released for public review on August 7, 2008. The adopted General Plan contains nine elements: Land Use, Housing, Conservation, Open Space, Noise, Safety, Circulation, Scenic Highway, and Seismic Safety. As designated in its Land Use element, Beverly Hills' predominant land use is low-to-medium density single family residential (SFR), with commercial and retail uses concentrated along major transportation corridors including Wilshire and Olympic Boulevards.

Low Density single family residential development is concentrated north of Sunset Boulevard and is defined as one unit per acre. Medium Density SFR units, located between Sunset Boulevard and Santa Monica Boulevard, is defined as four units per acre. South of Santa Monica Boulevard, the housing stock is more diverse and includes High Density (e.g., six units per acre) SFR development and multifamily residential (MFR) development of various densities.

Most multifamily residential development is located adjacent to main commercial corridors, with the highest density areas are located on parcels nearby Wilshire Boulevard. For multifamily residential development, the General Plan specifies a range from 22 units per acre to 50 units per acre in high density multifamily residential areas.

Mixed use is generally composed of retail and office uses, and although sections of Wilshire Boulevard are permitted to have higher and more dense development, residential is not permitted except on a case by case basis. The draft General Plan addresses the need for new affordable housing units in mixed use developments. New housing development is limited to parcels sited on low intensity retail corridors and near new proposed transit stops on Wilshire Boulevard. The draft General Plan also includes mixed use development incentives including the allowance of additional floor area for projects containing residential components. Four mixed residential-commercial projects (9900 Wilshire, 9876 Wilshire-Hilton, 9200 Wilshire, and 8600 Wilshire) have recently been approved by the City. Notably, one office building (8601 Wilshire) has been converted primarily to residential use, with a small amount of commercial space.

The General Plan also includes a new land use category: Transit-Oriented Center. This category was created specifically for retail, office, or mixed use (consisting of a mix of retail, office, and residential

uses) sited near transit hubs. Projects developed within this category also qualify for a density incentive for housing. The City's zoning code will be updated to reflect this, and other, land use category changes.

Housing Element

The Beverly Hills Draft Housing Element Update is currently available for public review and covers the period from 2008 through 2014. Beverly Hills did not achieve a certified Housing Element in the prior cycle (2001 through 2007), but is seeking certification in this period.

The City's Regional Housing Need Allocation for the period from January 1, 2006 through June 30, 2014 totals 436 units, including 77 in the 80 to 120 percent AMI category.

According to the Draft Housing Element, Beverly Hills has a sufficient supply of vacant and underutilized sites to meet these housing goals. Seven vacant sites are identified with the potential to create 155 new housing units, and 104 underutilized sites were identified, with the potential for over 2,000 units. The Housing Element specifies that the City may have difficulty meeting the very low-, low-, and moderate-income housing targets due to constraints further detailed below.

Regional Housing Needs Allocation, Beverly Hills, 2006 - 2014	
Income	Number of Units
0 to 50% AMI (Very Low)	111
51 to 80% AMI (Low)	71
81 to 120% AMI (Moderate)	77
Above 120% AMI	178
Total Units	436
Source: SCAG, 2007; BAE, 2008.	

It should be noted that a requirement of Housing Elements in California is to report on achieving the previous RHNA allocations for each income category (including 81 to 120 percent AMI, which is Tier 1 of workforce housing as defined in this report). The Beverly Hills Draft Housing Element indicates that for the prior RHNA cycle, between 1998 and 2005, Beverly Hills did not produce any affordable housing, and as such, did not meet the prior RHNA goal of 40 units for moderate income households (e.g., the 81 to 120 percent AMI category).

Potential barriers to achieving housing needs goals, as described in the Draft Housing Element, include high land values, construction costs, and the lack of a redevelopment agency. Beverly Hills has responded to these constraints with solutions that include a Housing Trust Fund and an Inclusionary Housing Program, greater flexibility in development standards and requirements, and density bonuses.

The Beverly Hills Draft Housing Element includes specific language regarding workforce housing, including a goal to support the development of housing that is affordable to the local workforce, including employees of businesses, schools, and government located in Beverly Hills. The Draft Element specifies that regulatory incentives and/or direct financial assistance may be offered for workforce (and senior) housing development. These incentives may include more flexible development standards (reducing parking requirements, minimizing height restrictions), density bonuses, City support for affordable housing funding applications, and reductions in development fees.

Under the City's current Zoning Code, multi-family housing developments must meet minimum individual dwelling unit size requirements. These requirements range from studio apartments at 600 square feet to three or more bedrooms required to be at least 1,500 square feet. These standards may be considered a constraint for housing developers. Therefore, the Zoning Code will be amended to reduce the minimum dwelling unit sizes for affordable multi-family housing in Beverly Hills.

The Draft Housing Element for Beverly Hills includes details about a new Inclusionary Housing Program in which a proportion of new residential developments will be required to include on-site affordable units or developers will pay an in-lieu fee. Over the Element's 2008 to 2014 time period, the program goal is for an average of 15 percent of all new housing units to be affordable for very low-, low-, and moderate-income households. Projects with 25 or fewer units may have the option to pay an in-lieu fee or providing affordable units on-site. Projects with more than 25 units will be required to build affordable units on-site. The City plans on retaining a consultant to determine appropriate in-lieu fees and assist in the Drafting of inclusionary standards. The Element states that this program will be guided by the development of an Affordable Housing Ordinance.

Rent Control

Beverly Hill's rent control law went into effect in March 1979 and was enacted to keep rents at May 1978 levels, applied only to apartments renting for \$600 or less. All apartments renting for under this amount are subject to rent control, meaning rent levels may be annually increased by eight percent (or the average Consumer Price Index, depending on which is less) until units are voluntarily vacated or tenants are evicted with just cause. In 1986, the City passed a second rent control ordinance that regulates the rental of all units not regulated by the first ordinance. This second ordinance limits annual rent increases to 10 percent. Neither of these rent control ordinances requires registration of apartments, and the City does not have an accurate count of the number of units regulated by each ordinance, and therefore does not track affordable units lost from the inventory due to vacancy decontrol, owner occupancy, or demolition.

Housing Trust Fund

Because Beverly Hills does not have a Redevelopment Agency, the City is limited in its access to federal funding for affordable housing development. In order to facilitate affordable housing construction, the City realized the necessity of a sustainable funding source, and the Draft Housing Element contains a section describing how Beverly Hills will create a Housing Trust Fund to be used for funding affordable housing development or providing funding to leverage housing construction for senior and workforce housing. The Element lists in-lieu fees from the new Inclusionary Housing Program, hotel taxes, real estate transfer fees and/or the creation of a commercial linkage fees program as possible funding sources for the Housing Trust Fund.

Economic Development Strategy

As part of the General Plan update process, the City of Beverly Hills commissioned the Economic Sustainability Background Report. Completed in January 2008, the Report assesses the City's economy in order to develop an economic sustainability framework and strategy for the General Plan update. Within the Economic Sustainability Report, there is little mention of housing in relation to economic

development, except to note that Beverly Hills has a comparatively large jobs-to-housing ratio of almost triple the county average. Key industry sectors highlighted in the report include entertainment, finance, real estate, professional services, and information technology, with revenue related to retail, office, and hotels comprising 65 percent of the City of Beverly Hills General Fund in fiscal year 2006-2007.

Businesses are distributed throughout the City; however, many are located on and adjacent to Wilshire Boulevard and within the Business Triangle (within the borders of Santa Monica, Crescent, and Wilshire Boulevards). Market rate lease rates for office use are increasing and vacancy rates are declining. The Economic Sustainability Background Report stresses that the City cannot accommodate expanded office development because there is a lack of developable land, high property values for underutilized but improved properties, small parcel sizes, and building heights limited to three stories in many locations.

Sustainability Policies

The General Plan Update process has included the formation of several committees to draft recommendations on different topics. The Environmental Sustainability Topic Committee held public meetings from April 2002 to August 2003 before finalizing a report, titled Vision 2025, to be used in the writing of the updated General Plan. The Committee studied issues including resource conservation, construction practices, energy, water and gas resources / delivery, telecommunications, and City infrastructure. The report does not relate sustainability to land use, and there is no mention of the connection between traffic congestion, vehicle emissions, and location of housing or jobs. Currently, a Sustainability Master Plan is in development.

Development & Parking Standards

Beverly Hills' first design guidelines, adopted in April 2004, are currently being revised. The Residential Design Style Catalogue was created to inform single-family residential development and minimize the "mansionization" of the City's neighborhoods. These guidelines seek to control scale and mass of SFR development, ensure design compatibility, promote and maintain neighborhood character, and prevent overbuilding. The objectives do not relate to multifamily residential development.

The City has very relatively high multifamily residential parking requirements, as shown. These requirements, which have strong community support, are generally higher than levels recommended by sustainability and smart growth experts and SCAG's Livable Places Initiative, presenting a challenge to development of multifamily units through adding costs as well as limiting parcel developability.

Multifamily Residential Parking Standards, Beverly Hills	
Unit Type	Required Parking Spaces/Unit
<1,000 SF	1.0
1 BR	2.0
2 BR	2.5
3 - 4 BR	3.0
5 BR +	4.0
Source: City of Beverly Hills, 2008; BAE, 2008.	

Santa Monica

General Plan Overview

The Santa Monica General Plan contains eight elements: Land Use, Circulation, Housing, Conservation, Open Space, Noise, Safety, and Historic Preservation. As described in the 1984 Land Use Element policies, Santa Monica has planned its land use to concentrate commercial uses along major arterials, most notably Wilshire, Lincoln, and Santa Monica Boulevards.

The Land Use and Circulation Element (LUCE) is currently being updated through a participatory process called Shape the Future 2025, designed to develop a community vision for Santa Monica's diverse neighborhoods and new transit-oriented centers. The Draft LUCE Strategic Framework was recently released, and includes extensive discussion of affordable and workforce housing related to land use. Essentially, the LUCE envisions several "change areas" near transit, particularly around the planned EXPO light rail line stations described in Chapter 1. In addition, the LUCE Strategic Framework proposes to create a system of performance zoning requirements which could include incentives for the provision of affordable and workforce housing. The Strategic Framework for the LUCE also emphasizes creating partnerships with the City and developers, and the City and employers, and mentions the need to provide workforce housing for first responders (e.g., city fire and police).

Housing Element Overview

The Santa Monica Housing Element Update is currently in draft form and scheduled for adoption in November 2008. The draft continues and updates the prior Housing Element's goals, policies, programs, and implementation guidelines and also coordinates with the planned LUCE policies.

Santa Monica's Regional Housing Need Allocation, covering the period between January 1, 2006 and June 30, 2014, includes 662 units as shown. The Draft Element finds that Santa Monica has sufficient land supply to meet these housing goals.

It should be noted that the Draft Housing Element describes units built during the previous Housing Element time period of 1998 to 2005. According to the City, it created 237 out of the 431 moderate income housing units in the prior cycle's allocation, or 55 percent of the previous RHNA.

Regional Housing Needs Allocation, Santa Monica, 2006 - 2014	
Income	Number of Units
0 to 50% AMI (Very Low)	164
51 to 80% AMI (Low)	107
81 to 120% AMI (Moderate)	114
Above 120% AMI	277
Total Units	662
Source: SCAG, 2007; BAE, 2008.	

The Draft Housing Element for Santa Monica describes potential barriers to providing affordable housing including land and construction costs, land availability, availability of mortgage and home improvement financing, restrictions on residential densities, and long project review periods. However, Santa Monica has responded to these constraints with solutions that include financing assistance and local programming to generate revenues to support housing, provisions for diverse and transitional housing types, zoning incentives, planning fee waivers, exemptions from story limits and height bonuses for affordable housing, as well as reduced parking requirements. Residential development in commercial

districts is encouraged through incentives such as density bonuses and exemptions from building height and FAR.

The Santa Monica Draft Housing Element is notable with respect to workforce housing (defined as 120 to possibly 180 AMI in the Draft) because it contains specific policies for this targeted income group as follows:

- Encouraging innovative municipal and private sector programs to promote financing and development of workforce housing;
- Exploring the development of workforce housing to include possibilities for rental, ownership, and employer-provided transitional housing; and
- Targeting the City's major corridors and locations near transit stations for potential new housing developments.

Rent Control

The City's rent control law was adopted in 1979. The City currently has approximately 27,300 controlled units with registered rents. However, the affordability of this inventory has been declining, due to state legal changes which gradually eliminated vacant unit rent control and allowed property owners to permanently remove other units from inventory. A recent study by the Santa Monica Rent Control Board covering the nine-year period from 1999 through 2007 estimated that more than 14,700 housing units (or 54 percent of total controlled unit inventory) have been lost from the affordable rent control supply, due to vacancy decontrol, owner occupancy, and other factors.

Affordable Housing Production Program (AHPP)

The City of Santa Monica has a well established Affordable Housing Production Program, boosted by Proposition R, which requires that at least 30 percent of all newly constructed units in Santa Monica be affordable to low and moderate income households, including at least half to low income households. This initiative was implemented by a series of ordinances including inclusionary requirements for new construction. Recent changes to the City's inclusionary requirements generally mean that newly construction projects must provide 10 to 20 percent affordable housing on-site or nearby for most projects in residential zones (except two and three unit projects), and pay fees or provide housing on- or off-site for projects in commercial zones. According to the annual report for Fiscal Year 2006/2007, the Affordable Housing Production Program has resulted in approximately 855 affordable units in Santa Monica since its inception in Fiscal Year 94/95.

The City also operates a Tenant Ownership Charter Rights Amendment (TORCA) homeownership loan program, serving low and moderate income tenant households up to 120 AMI living in units being converted to condominiums. This program, which has provided up to \$110,000 mortgage loans with shared appreciation to enable tenants to become homeowners, is not accepting new projects, however.

Redevelopment Agency Low/Mod Income Housing Fund Activities

Santa Monica's redevelopment project areas encompass most of the central city area. According to the City, for Fiscal Year 2006/07, the Santa Monica Redevelopment Agency had a balance of \$4.8 million in unencumbered housing set aside funds at the end of the fiscal year.

Development and Parking Standards

The City of Santa Monica parking requirements for multifamily units are shown in the table. It should be noted that the draft LUCE Framework suggests creating reduced requirements in designated areas through performance zoning incentives and encouraging the unbundling of parking costs from unit prices/rents.

Multifamily Residential Parking Standards, Santa Monica		
Unit Type	Required Spaces Per Unit	
	Apartment	Condominium
Studio	1.0	1.0
1 BR	1.5	2.0
2 BR +	2.0	2.0
Source: City of Santa Monica, 2008; BAE, 2008.		

Culver City

General Plan Overview

Culver City's Planning Division is currently preparing a Comprehensive Update to the City's General Plan. Four of the City's nine General Plan elements are 30 or more years old, and the others range from 7 to 13 years old.

Housing Element Overview

The Culver City Draft Housing Element was released on June 16, 2008, consistent with the region's requirement to provide a full review draft to the State of California's Department of Housing and Community Development by July 1, 2008. The Draft Housing Element covers the 2006 to 2014 period, and addresses four main housing issues: preservation and improvement of the existing housing stock, housing availability for special needs populations, planning for a sufficient supply of new housing to meet the City's fair share of regional need, and fair housing. The Housing Element for the previous cycle was certified by the State.

The City's Regional Housing Need Allocation, shown here, totals 505 units including 211 units in the moderate income category. According to the Draft Housing Element, Culver City currently has sufficient sites to accommodate the 504 units as required, based on current zoning regulations.

It should be noted that as required by California law, Culver City's Draft Housing Element contains a table summarizing new housing units built during the 1998 to 2005 Housing Element time period, compared to the RHNA for that same time period.

In new construction, the goal was to create 46 new units for moderate-income households; however, just 14 units were built for this income category.

Regional Housing Needs Allocation, Culver City, 2006 - 2014	
Income	Number of Units
0 to 50% AMI (Very Low)	129
51 to 80% AMI (Low)	80
81 to 120% AMI (Moderate)	85
Above 120% AMI	211
Total Units	505
Source: SCAG, 2007; BAE, 2008.	

The Draft Culver City Housing Element discusses constraints to meeting its housing needs, including development processing procedures, development fees and improvement requirements, environmental restrictions, infrastructure limitations, land costs, construction costs, and cost and availability of financing. It is notable that the Housing Element describes the additional cost of constructing new housing due to the recently approved City ordinance requiring solar photovoltaic installation for all new construction projects with three or more residential units or sized at 10,000 new square feet or more. Constraints also include the additional cost of construction due to City mechanical and building codes that exceed state standards. Land costs are cited as one of the most significant constraints to new housing production.

Other housing production policies in the Draft Housing Element that support the facilitation of additional housing in the City include encouraging the inclusion of affordable units in new housing developments by granting incentives included in the Zoning Code and the State Density Bonus Law;

implementing the City's second unit ordinance, which allows the construction of accessory dwelling units subject to an Administrative Use Permit; considering eliminating the nine units-per-lot restriction in the RMD Zone; studying Redevelopment Agency owned sites including reviewing parking sites to determine if small-scale parking garages combined with housing can be feasibly developed, and evaluating the potential for residential multi-family development with affordable units along sections of Washington Place and Venice Boulevard.

The Culver City Draft Housing Element also shows Housing Opportunity Sites, indicating that sites with proposed mixed-use projects have a potential for 478 additional lower-income units with densities ranging from 35 to 65 units per acre. All vacant sites without proposed development are zoned Commercial; however, the Housing Element indicates that these sites allow residential development as part of mixed-use projects that include ground floor commercial uses, and these parcels can provide 65 new multi-family units - all assigned to the lower income category at an assumed density of 35 units per acre on average. In parcels zoned for Residential Medium Density (RMD), there is a potential of a total of 833 units that may be added to the current housing stock, at 29 units per acre. There are five commercial sites, which are boarded-up or vacant buildings, considered to have high redevelopment potential; in total, these sites can accommodate 111 lower-income units at an allowed density of 35 units per acre. Additional potential housing sites are commercially zoned sites, currently developed with commercial uses, which allow mixed-use development. In total, these sites cover over 200 acres and can potentially accommodate 7,300 new units.

Redevelopment Agency Low/Moderate Housing Fund Activities

The Culver City Redevelopment Agency reported that in fiscal year 2005/06 (last year of data available), it spent \$1.3 million on affordable housing activities. The California Department of Housing and Community Development reported that Culver City had unencumbered housing funds of \$13.7 million at end of fiscal year 2005/06.

Sustainability Policies

In 1999, Culver City initiated a Community Visioning and Strategic Plan, a multi-year visioning process resulting in a five- to ten-year plan with recommended actions for making Culver City a sustainable city. Following completion of the Plan, and in tandem with the General Plan update, the City is currently developing a Sustainable Community Plan (SCP) with citywide goals in the areas of resource conservation; environmental and public health protection; solid waste diversion and recycling; open space and land use; and community education and civic participation. The process of developing the Culver City Sustainable Community Plan is intended to guide and inform the General Plan's updated policies and objectives.

In 2007, the American Institute of Architects' Center for Communities by Design selected Culver City as one of eight communities from the United States to receive technical assistance under their Sustainable Design Assessment Team (SDAT) program. Under the program, a team of professionals including architects, planners, hydrologists, economic development specialists provided technical assistance to City staff and the community develop goals and objective for the Sustainable Community Plan.

Development and Parking Standards

With planning underway for the Exposition Light Rail Transit Line (Expo Line), the City is well positioned to increase opportunities for transit-oriented development. Phase 1 of the Exposition Light Rail Transit Line (Expo Line) project will stretch between downtown Los Angeles and Culver City, with Phase 2 connecting Culver City to the Santa Monica Pier. In November 2007, the Metro Board approved programming \$50 Million towards an aerial station at Washington/National (within Culver City limits and just south of the City of Los Angeles boundary); this will be the temporary terminus of Phase 1. Phase 2 will begin at this point and continue to Santa Monica.

The City is currently reviewing mixed use development proposals in the Washington/National Expo Light Rail area. Three sites in particular are being studied for Transit Oriented Development; all within walking distance to the future light rail stop. These include the Redevelopment Agency-owned Triangle site that directly abuts the future light rail station, the old Spartan Roof and Supply site, and a boarded-up former car dealership site. The three different developments (but especially the Triangle site) are being planned in anticipation of the arrival of the Exposition Light Rail Transit Line. The three plans provide for land uses that accommodate transit-oriented development and provide for a combination of neighborhood-serving commercial uses and multifamily housing.

Multifamily Residential Parking Standards, Culver City	
Unit Type	Required Parking Spaces/Unit
Studio and 1 BR, <= 900 SF	1.0
Studio and 1 BR, > 900 SF	2.0
2 - 3 BR	2.0
4 BR	3.0
4 BR +	3 + 1 for each addl BR
Source: City of Culver City, 2008; BAE, 2008.	

Like Beverly Hills, Culver City has relatively generous parking requirements, requiring a minimum of two spaces for one-bedroom units over 900 square feet, and up to four spaces for five-bedroom units (for multifamily developments). A 2000 Westside Livable Communities Technical Report on parking encourages the use of parking demand studies that link parking utilization to occupied building area to permit the establishment of parking demand levels per square foot of building area. While Culver City requires a parking study for major projects deemed to potentially create parking impacts because of the nature of their use, the City relies on the following parking requirements to guide most development.

West Hollywood

General Plan Overview

The City of West Hollywood is currently working to comprehensively update its General Plan, which was adopted in 1988. This process began in fall 2007 with adoption of a new General Plan slated for spring of 2010.

Current zoning for the City of West Hollywood includes a hierarchy of commercial zones along the City's arterial streets, with residential uses generally allowed and encouraged on upper floors. Commercial districts include the following:

- Commercial Arterial (CA) – Located along regional arterials such as La Brea. Allows heights up to 60 feet/ 5.0 stories.
- Commercial Community (CC) – Located along arterials including Santa Monica and Beverly Boulevards. Allows heights up to 35 feet/ 3.0 stories. A bonus for mixed-use development that includes residential is available in this zone, for an additional 0.5 FAR and 10 feet in height.
- Sunset Specific Plan (SSP) -- Located along Sunset Boulevard. Development standards and allowable uses vary along the corridor.
- Commercial Neighborhood (CN) – Located along secondary arterials such as Melrose Avenue and Robertson Boulevard. Allows heights up to 25 feet.

Aside from these commercial districts the City is largely composed of residential districts. The Residential Medium Density district allows densities up to 36 units per acre, while the Residential High Density district allows densities up to 50 units per acre. In General, the City's High Density (R4) district is located in the area between Santa Monica and Sunset Boulevards, with a small amount of R4 zoning located elsewhere in the City. The Medium Density (R3) districts are more dispersed throughout the community with a sizable concentration of R3 zoning on the south side of Santa Monica Boulevard between Kings Road and Fuller Avenue.

Housing Element Overview

The Housing Element Update is currently being drafted in coordination with the General Plan. The City has not yet published their Draft Housing Element, and the comparison between actual development of affordable units and the previous Housing Element time period's RHNA is unavailable.

The current cycle's RHNA numbers are shown in the table. It should be noted that the City's Housing Element goals also include a 40 unit carryover from the prior period.

Regional Housing Needs Allocation, West Hollywood, 2006 - 2014	
Income	Number of Units
0 to 50% AMI (Very Low)	142
51 to 80% AMI (Low)	91
81 to 120% AMI (Moderate)	99
Above 120% AMI	252
Total Units	584
Source: SCAG, 2007; BAE, 2008.	

Rent Control

The City of West Hollywood's rent control law was adopted in 1985. This ordinance which helps to stabilize rents for approximately 16,000 households in the City.⁷ Subject to the limitations of state law, this rent control ordinance limits annual increases in rents to an amount set by the City. Rents may only reset to market rates when units become vacant.

Inclusionary Housing

West Hollywood has a strong inclusionary housing program which applies to all projects except single-family homes. The program requires 10 to 20 percent of new residential housing units to be reserved for low and moderate-income households. These units must be dispersed throughout the project and may be either comparable in size and finishes or may be smaller, "alternate" units. An "alternate" unit must be a one-bedroom of at least 650 square feet in size with "builders quality" appliances and materials.⁸ The percentage inclusionary requirement varies by project size as follows:

- In development of 2 to 10 dwelling units, one unit must be affordable and may be a smaller "alternate" unit.
- In developments of 11 to 20 dwelling units or more, 20 percent must be affordable and these may be either comparable or smaller "alternate" units.
- In developments of 21 to 40 dwelling units, 20 percent of all units must be affordable of comparable to market rate units, or 30 percent must be affordable if the units are smaller "alternate" units.
- In developments of 41 dwelling units or more, 20 percent must be affordable if comparable units, or 20 percent of the total floor area must be affordable if smaller "alternate" units are provided.

Projects that include two or more affordable units must alternate between low and moderate-income levels. Developers of residential projects with 10 or fewer units may choose to pay a fee, or provide a combination of fee and units, in-lieu of providing the units on-site. Fees collected are allocated to the City's Affordable Housing Trust Fund. A total of 91 units have been developed through the Inclusionary Program.

Affordable Housing Trust Fund

The Housing Trust Fund was established in 1986 to help support the creation of affordable housing in the City. Residential inclusionary in-lieu fees, commercial development fees, and settlement funds are accrued in the Housing Trust Fund and used to support the development of projects with at least 20 percent of total units affordable to low-income households or 60 percent of total units affordable to low and moderate income households. Funds are channeled through non-profit housing developers. Housing Trust Fund monies may be used for predevelopment, land acquisition, gap financing or to lower the interest rate of loans.

⁷ Data from summary of West Hollywood Housing Summit, December 2006.

⁸ The City defines "builders quality" as "durable, good and lasting quality," as determined by the Director of Community Development. While developers may provide less expensive appliances, they must provide the same number and type in inclusionary units. Also, they must assure that the exterior of inclusionary units is the of the same "appearance, finished quality and materials" as the non-inclusionary units so as to be indistinguishable

Density Bonus

As an incentive to affordable housing construction, the City allows a substantial density bonus for specified housing projects in the medium and high density residential districts. To use this density bonus, the developer must designate 50 percent or more of units as permanently affordable to low and moderate-income persons, and the development must be maintained and operated by a non-profit organization. Where these requirements are met, a density bonus may be granted equal to the percentage of units dedicated to affordable housing. Hence for a project that is 100 percent affordable, a 100 percent density bonus is possible. In compliance with state law, for market rate projects, West Hollywood can grant a density bonus of up to 35 percent, depending on the amount of affordable housing provided and the income levels served.

Strategic Plan

In the fall of 2001, West Hollywood began the development of a new Strategic Plan known as Vision 2020. This planning process resulted in a statement of five Primary Goals, including a Primary Goal of protecting and enhancing affordable housing opportunities with an emphasis on rent stabilization. The Strategic Plan underscores the City's ongoing efforts to encourage affordable housing including a strong rent control law, the Housing Trust Fund, and the City's inclusionary housing ordinance. The Strategic Plan describes strong community support for providing additional affordable housing through mixed-use and live-work development.

Sustainability Policies

In 2007, West Hollywood adopted one of the nation's first Green Building programs for private development. This ordinance requires any new commercial building and any residential project of three or more units to incorporate green building techniques in site planning, landscaping, and building construction/materials. Mandatory bicycle parking and other transportation demand management techniques are also included in these policies.

Redevelopment Agency Low/Mod Housing Fund Activities

The City adopted the East Side Redevelopment Project Area in 1997 and has since created several programs to enhance commercial and residential areas by encouraging private investment, including a residential rehabilitation program for housing. Data is not available to identify unencumbered low/moderate income housing set aside funds.

Development and Parking Standards

Parking standards for multifamily development include standard parking ratios as well as density bonus parking ratios, which are available to affordable housing projects that fit within either City or State affordable housing density bonuses programs. The density bonus reduction provides a key incentive, decreasing parking ratios by between 11 and 43 percent depending on unit size.

Multifamily Residential Parking Standards, West Hollywood			
Unit Type	Standard Requirement Spaces/Unit	Density Bonus Requirement Spaces/Unit	Percent Reduction For Density Bonus
Studio (up to 500 SF)	1.25	1.00	20%
1 BR or Large Studio	1.75	1.00	43%
2 - 3 BR	2.25	2.00	11%
4 BR +	3.25	2.50	23%
Note: Standard requirement includes guest parking at ratio of 1 space per 4 units Source: City of West Hollywood, 2008; BAE, 2008.			

City of Los Angeles Community Plan Areas

General Plan Overview

The City of Los Angeles contains 12 General Plan Elements, which cover all of the State's requirements except Land Use. Instead, the Land Use Element is comprised of 35 Community Plans that establish policy and standards for smaller geographies. These Community Plans are guided by the Framework Element, which provides a long-range citywide strategy to guide both the implementation and the comprehensive update of all of the General Plan's elements. The Framework Element organizes the City of Los Angeles into a hierarchy of land use types (e.g., neighborhood districts, community centers, boulevards, etc.) and provides policy discussion to link areas in support of pedestrians, compact growth, and economic development⁹. Specific policies are detailed in each of the Community Plans, which address land use policies based on geographic subregions.

For this Study, four Community Plan Areas were selected to comprise the City of Los Angeles portions of the Study Area. Community Plans establish sustainable growth patterns while balancing the distinctive character of individual communities, including the preservation and maintenance of housing that is important to the unique character of each neighborhood. The Plans also address infrastructure, urban design, jobs, transportation and mobility issues.

The Department of City Planning is undergoing a cycle of updating the 35 Community Plans, commencing with 12 areas including West Los Angeles. The new West Los Angeles Community Plan seeks to better link development to services, expand housing choices, address mobility and open space, and improve urban design. To date, a number of community meetings and workshops have been held, numerous issues have been identified, but specific land use and policy changes are still being formulated. Overall, the new Community Plan for West Los Angeles seeks to provide more specificity about the scale and design of projects that comply with neighborhood-specific regulations, which will result in a higher level of certainty in the development process.

The remaining three Community Plans pertinent to the Study Area are slated for update in the coming years. The Westwood Community Plan, adopted in 1999, describes growth forecasts to the year 2010. This Plan envisions land use changes primarily along major boulevards, and promotes policies oriented towards pedestrians. It acknowledges UCLA's long range development plans and activities, including its plans at that time to construct additional housing. The Palms-Mar Vista-Del Rey Community Plan, adopted in 1997, envisions opportunities to create moderately priced housing for Westside residents. It predates the Playa Vista project, but mentions the opportunity for substantial housing. This Plan also recommends numerous transportation and infrastructure improvements to accommodate growth

⁹ It should be noted that Proposition U, a voter-approved initiative in 1986, places significant constraints on implementing aspects of the General Plan Framework. Proposition U reduced the allowable floor area ratio in all commercially-zoned parcels in Height District 1, from a floor area ratio (FAR) of three times the buildable area of the lot, to 1.5 times the buildable area. While the General Plan encourages housing on commercial corridors that are in close proximity to transit and housing units are allowed by-right in Commercial zones, the height and Floor Area Ratio limitations oftentimes prohibit construction of housing units or mixed-use development since many of the City's transit corridors are zoned for commercial use and/or are in Height District 1. Thus, this voter initiative has made building housing in transit corridors more difficult and constitutes a significant constraint.

envisioned to 2010, and describes goals for a vibrant commercial and economic base. The Venice Community Plan, adopted in 2000, contains themes similar to the other Plans. Of note are mentions of the area's suitability for artists housing (see Toolkit chapter for example).

Specific Plans and Neighborhood Overlays

The City of Los Angeles has adopted 19 overlay plans within the boundary of the Study Area, which place additional requirements unique to certain geographic areas. These include Specific Plans, Community Design Overlays, a Neighborhood Oriented District, a Pedestrian Oriented District and a Historic Preservation Overlay Zone. These plans impose design standards or guidelines, development standards, transportation fees, or some combination.

Usually they are more restrictive than the Zoning Code in terms of parking requirements and density. Some overlays specifically address affordable units; the Glencoe Maxella Specific Plan permits increased density for residential projects that provide affordable units, and Playa Vista Area C Specific Plan requires 15 percent of dwelling units be affordable to low and moderate income households.

Regional Housing Needs Allocation, Los Angeles, 2006 - 2014	
Income	Number of Units
0 to 50% AMI (Very Low)	27,238
51 to 80% AMI (Low)	17,495
81 to 120% AMI (Moderate)	19,304
Above 120% AMI	48,839
Total Units	112,876
Source: SCAG, 2007; BAE, 2008.	

Additional Initiatives Impacting Development

The City of Los Angeles has adopted numerous sets of policies and land use guidelines which impact development of workforce housing. These include the Small Lot Ordinance and Design Guidelines, which encourage development of housing on small lots at a scale that is sensitive to surrounding neighborhoods. The City also follows a Walkability Checklist during site plan review for new projects, in order to encourage pedestrian orientation. The Climate Action Plan, and related adopted ordinances, established a Green Building Program which requires green building approaches for new buildings of 50,000 square feet or larger (including residential) as well as for substantial rehabilitation projects.

Housing Element

The City of Los Angeles has adopted its Housing Element for the 2006 to 2014 period, and the Draft is currently under review by the State Department of Housing and Community Development. The Regional Housing Needs Allocation (RHNA) for the City for this Housing Element period totals almost 113,000 units, including more than 19,300 moderate income housing units.

It should be noted that the Draft Housing Element reports on the achievement of prior period RHNA goals. For the moderate income category, the City need was identified in the prior cycle as 11,314 units, but just 606 units were actually produced.

The Draft Housing Element is quite extensive, providing a background in current City housing programs and new approaches. The narrative emphasizes transit-oriented development and sustainable neighborhoods as key strategies to achieving housing goals. Constraints on achieving housing goals include including governmental regulations, infrastructure requirements, conditions in the City's Coastal

Zone, and market conditions, including high land costs. With respect to workforce housing, the Los Angeles Housing Department offers for-sale assistance programs that target workforce housing incomes. The Draft Housing Element also cites the Community Redevelopment Agency's programs that address workforce housing; however, since the Westside Study Area does not contain established redevelopment project areas, these programs are not available for the area covered by this Study.

Rent Control

The City of Los Angeles adopted its Rent Stabilization ordinance in 1978, and applies to all units built prior to 1978 except single family rental units. Current rent increase are generally allowed up to 4 percent per year, and increase to market rates when a unit is vacated.

Density Bonus Ordinance

The State of California enacted a new Density Bonus law (SB1818) in 2005, which modified prior enabling legislation to allow for additional units to be developed if a private developer commits to including affordable housing in the project. The current law allows for a 20 percent density bonus (with reduced parking requirements) if at least 5 percent of the units are affordable to very low income households or 10 percent are affordable to low income households. For for-sale housing, the law allows for a 5 percent density bonus if 10 percent of the units are affordable to moderate income households. There is an additional "sliding scale" that reaches a maximum density bonus of 35 percent when a project provides either 11 percent very low income units, 20 percent low income units, or 40 percent moderate income units.

In February, 2008, the City of Los Angeles adopted an enhanced version of this density bonus, which, for example, expands the state's requirements in the case of for-sale housing for moderate income units to provide a 15 percent density bonus if 10 percent are affordable to moderate income households (compared to just a 5 percent density bonus in the state's version for the same mix). Projects are also entitled to receive incentives, or relief from standards, such as increased height and FAR or decreased setbacks as a "trade-off" for providing affordable units. Density and parking bonus may be granted administratively, unless the projects are also utilizing incentives. This ordinance represents a significant opportunity to expand the development of moderate income housing, targeting Tier 1 of this Study's workforce housing definition.

Affordable Housing Trust Fund

In 2003, the City of Los Angeles adopted a permanent Housing Trust Fund plan, committing to dedicating \$100 million to be replenished by reliable sources of funding from the General Fund and a variety of existing funding sources. Although inclusionary housing and commercial linkage fees were explored for this initiative, these were not incorporated into the final program. Twenty percent of the Housing Trust Fund is planned for use to support homeownership for households earning up to 120 percent AMI.

Round One of project funding was conducted in 2004, with support provided to 13 projects in the form of gap financing. Round Two is currently underway, with \$28.6 million estimated as available for distribution. However, it appears that Round Two is entirely targeted to rental housing serving

household at or below 60 percent AMI, and as such, is not a source of direct support for the workforce segment.

Development and Parking Standards

In general, the number of required parking spaces is determined by the number of dwelling units and the number of habitable rooms in each unit. Parking standards are as follows: two spaces are required for each single-family dwelling; for multiple-family units, the ratio is based on habitable rooms—one space for less than three habitable rooms (e.g., studio), one-and-a-half spaces for three habitable rooms (e.g. one bedroom), two spaces for more than three habitable rooms.

Regional Government Initiatives

In 2002, the Southern California Council of Governments (SCAG) embarked on an ambitious process to vision a new way of thinking about regional growth and land use, incorporating the principles of mobility, livability, prosperity, and sustainability. Emphasizing improved links between transportation and land use, such as transit-oriented development (TOD), the visioning process resulted in the Compass Blueprint 2% Strategy, which identifies how future growth can be accommodated if just two percent of the region's land use is altered. The Strategy subsequently identified Opportunity Areas to be considered further for densification and land use change, supported by an ongoing grant program to local jurisdictions to conduct this subsequent planning and revitalization. SCAG also offers technical assistance, a library of resources and toolkits, and other educational materials to encourage local implementation of the 2% Strategy. SCAG also supports the California Land Opportunities Tracking Module (CALOTS), which is a GIS-based mapping system designed to identify in-fill parcels and neighborhood-level land use scenarios.

It should be noted that while much of the Compass Blueprint work to date has focused on land use changes, it seeks to also promote development of affordable and workforce housing through compact development with transit linkages. This concept is further supported by both the Affordability Index and Toolkit report, which assess the relationships and illustrate the "true costs" of housing plus transportation, clearly demonstrating that although a distant suburban house may seem cheaper than one in the urban core, the added costs of driving to work create less overall affordability than the housing plus transportation costs when located near transit (allowing reductions in car ownership and gasoline consumption).

At the same time, the Compass Blueprint work acknowledges that as increased public investment in transit systems occurs through the region, and private development investment is attracted to this feature, land values and housing prices will rise in these areas, spurring gentrification and impacting low, moderate, and workforce level households unless other policies are concurrently implemented. Compass Blueprint materials recommend exploring "value capture" ideas, where transit investment can raise land values, but this increase can be "captured" by requiring developers to include affordable housing mixed with market rate units.

Summary of Land Use and Housing Plans

This chapter provides an overview of the land use plans, housing elements, affordable housing initiatives, and development/parking constraints that all impact production of workforce housing in the Study Area. The following summarizes key findings by subject, as applicable to workforce housing issues.

Shifting Land Use Emphasis Toward Increased Housing Production

The review of plans for the jurisdictions in the Study Area suggests a general trend towards positive change with respect to increased workforce housing policies. Examples of this abound, from the regional Compass Blueprint initiative, with its coordinated vision and proactive support to local governments, to the comprehensive approach of Santa Monica's draft Land Use and Circulation Element (LUCE), to the numerous special transit-oriented development plans and projects. Both Culver City and Beverly Hills are also currently updating their General Plans (not yet available for review for this Study), while West Los Angeles Community Plan is undergoing its revision as well.

In general, these efforts base their approach on directing increasing density to carefully selected "change areas," while at the same time ensuring that community livability is preserved and enhanced through better pedestrian-oriented streets, open space, proximity to transit, and improved urban design.

While all of these land use and planning techniques foster "smarter growth," it should be noted that density alone does not necessarily produce less expensive housing. Experience in other livable, walkable communities throughout the country, with high levels of density and vibrant mixes of land uses, can often lead to exactly the opposite – even more desirable, higher cost housing. Some of the most dense and transit-rich urban areas of the U.S., such as San Francisco and Manhattan, are also the most expensive housing markets. As climate change and spiking gas prices make these urban neighborhoods even more attractive, in the absence of a coordinated effort to incorporate affordability into the mix, changes in land use alone will price many workers out of the market.

Updated Housing Elements

All of the cities in this Study are currently completing their updated Housing Elements. All of the Draft Elements reviewed for this report seek to comply with applicable laws and regulations, including identifying housing opportunity sites along with policies and programs to achieve their Regional Housing Needs Allocation goals. However, it should be noted that review of the sections summarizing the past Housing Element achievements indicate the challenges of actually achieving these goals; for the Tier 1 level of this study's workforce housing definition (e.g., 80 to 120 percent AM), none of the cities achieved their goals during the last cycle, despite the perception that this category of housing needs is easily addressed. The city achieving the most proportionately, in this category, was Santa Monica, which achieved 55 percent of its moderate income housing goal between 1998 and 2005.

Inclusionary Housing and Density Bonus Programs

Both Santa Monica and West Hollywood have successfully implemented citywide inclusionary housing programs going up to 120 percent AMI, while the City of Los Angeles attempted this approach but failed to adopt it.

Moreover, Santa Monica, West Hollywood, and Culver City all have redevelopment project areas within the Study Area (Los Angeles redevelopment areas do not fall within the Study Area), subject to redevelopment requirements for 20 percent low-moderate housing set-asides and inclusion of 15 percent affordable units for privately funded projects built in redevelopment project areas. However, it appears that some of the funding set aside in these programs has not yet been spent, a problem for many redevelopment agencies throughout California to some extent.

Los Angeles has also embarked on an ambitious program to implement a density bonus which essentially creates a voluntary inclusionary program, incorporating density bonuses, parking requirement reductions, and other incentives that are applicable to up to 120 percent AMI ownership housing. However, this ordinance is currently in litigation, making it difficult to evaluate its future. Moreover, it is likely that this kind of approach, when introduced to the community during the updating of the Community Plans, will cause even more local backlash, due to its intent to grant bonuses administratively rather than through public review in some situations.

Parking Standards

One theme which emerged from review of each jurisdiction's parking standards is that there is room for further work in this arena. In some cases, Westside Cities appear to have relatively high minimum parking standards relative to other urban areas in California, where standards have been lowered gradually to allow developers to provide one space per unit at their option, or in some cases to restrict to one space per unit to force less auto dependence. Moreover, the Toolkit section of this Study offers discussion of "unbundling" structured parking from multifamily housing units, in order to reduce the costs of providing it to those households who do not need it, thereby reducing housing costs and encouraging other forms of transportation.

It should be noted that in those communities in the Study Area where parking requirements are tied to "habitable rooms" rather than to bedrooms, this likely further exacerbates the issue, since it creates the need for more parking in units that may not house large numbers of people, but simply have doors that close to create dens, separate kitchens, etc.

Clearly, parking standards per project, and on a larger scale parking management issues throughout districts and cities, are a major challenge in the auto-oriented culture of the Westside. While this appears to be slowly changing, it will be challenging to take a more restrictive regulatory approach until there are ample, affordable alternative ways of moving people around and through a place. Light rail, bicycles, and walking are all parts of the mix needed, but other options such as car-sharing, small "smart cars," and new forms of transport will all need to be fully integrated into the lifestyle and culture of residents and workers.

Identification of In-Fill Sites

Finally, it should be noted that the efforts to computerize site searches for potential infill development sites is an exciting new process, made available by applications such as CALOTS and other infill tools. However, these tools are only the first step toward connecting development investment to sites. It is well understood by developers that many sites have numerous constraints, even if they appear underutilized at first glance, such as difficulty in assemblage, lack of willing or interested sellers, access to financing during down periods of the housing cycle, “brownfield” contamination, lack of sufficient infrastructure, entitlement risk, etc. All of these factors create the need for more fine-grained initiatives to study the feasibility of development on example in-fill sites, and to connect key sites with skilled development teams. As climate change, traffic congestion, housing price rises, and population growth continue to collide, the need for skilled urban developers will only increase, particularly those with concurrent depth of understanding and interest in providing inexpensive housing to workforce households.

Chapter 5: Westside Employer Outreach

Employers are a critical component of the workforce housing issue. Employers large and small face the challenges of recruiting and retaining talented workers. High housing costs affect employers and their employees in a variety of ways ranging from the burden of long commutes from lower-cost areas to the loss of employees not able to balance earnings with quality-of-life trade-offs.

This chapter summarizes work conducted for this study to directly engage large employers within the Study Area, as a first step in crafting strategies and solutions. The Study Area has a diverse array of employers; as listed in Chapter 2; large employers include universities, medical institutions, school districts, local government, and private companies in entertainment, lodging, professional services, manufacturing, and technology. Employment concentrations of medium and smaller business also abound on the Westside, spanning many sectors such as retail, design, food service, and personal services.

Methodology

The original intent of the Westside Workforce Housing Study was to enlist representatives from a subset of the largest Study Area employers, bringing these employers together in focus group meetings to discuss impacts on their industry sector and potential strategies to address these impacts. A series of contacts were made, targeting most of the human resources and/or government affairs personnel at 30 companies or organizations listed among the top 10 largest employers for each city in the Study Area¹⁰. The effort targeted specifically organizations in sectors with a likely high concentration of workers living in households up to 180 percent AMI.

Many of the 30 employers contacted, particularly those in the private sector, did not perceive workforce housing as an issue warranting this type of discussion in a meeting, leading to a conclusion that there was insufficient interest to convene the two planned focus groups. After consultation with the Working Group, the Santa Monica Workforce Task Force Chairperson, and the Santa Monica Chamber of Commerce¹¹, the consultants for this Study initiated a second wave of outreach consisting of individual employer interviews to first gauge interest and better understand perceptions. The consultants also worked closely with Chamber of Commerce staff from Beverly Hills, Santa Monica, and Culver City to conduct further outreach to members.

A total of 28 major employers were contacted, resulting in 11 full interviews and one limited interview. Six employers declined to be interviewed for this Study, primarily because the contacts stated that workforce housing was not a priority or issue for their firms.

¹⁰ In order to target study resources, large employers listed for each city with a likely high concentration of high wage earners, such as legal services, were not contacted.

¹¹ Both entities had recently collaborated to convene a year-long Task Force on Workforce Housing in Santa Monica, and expressed similar difficulties attracting the attention of many local employers.

The following summarizes the major themes from the key informant interviews and presents a variety of approaches that Westside employers are taking to address their workforce housing needs. Appendix C provides a listing of the organizations interviewed for this Study.

Employer Interest in Workforce Housing

Overview of Responses

Employers contacted for this study were asked how much of a problem, and what types of problems, their employees have finding affordable housing. While a majority of employers stated that high housing costs are a major factor in causing employees to commute longer and longer distances, not all employers view the lack of affordable workforce housing as an obstacle in recruiting and retaining employees. Some employers from the high technology and entertainment industries stated flatly that housing costs do not affect their ability to attract talent and build a stable workforce. Representatives of some public sector agencies, hospitals, and educational institutions did, however, view workforce housing as a key personnel issue; however, of the large employers interviewed, only ULCA is directly engaged in an effort to provide their employees with affordable housing options (described below).

For those employers focused on workforce housing as a key obstacle in recruiting and retaining employees, the interviews conducted for this study revealed that the major workforce housing challenge is for junior level staff, mid-career professionals and others in the low and middle range of the occupational and wage scale. For public sector agencies, hospitals and for educational institutions like UCLA, retaining these vital employees has become a formidable challenge due to the shortage of workforce housing on the Westside. Several key informants concurred that the shortage of workforce housing has recently reached a crisis point due to rising gas prices and increasingly onerous commutes across the Los Angeles region.

Interviewees were asked in particular to address their comments to households earning between 80 and 180 percent of AMI in Los Angeles County. Focusing on this group, most interviewees agreed that the shortage of affordable ownership housing on the Westside represented the most serious gap in the local housing market. When employees are leaving their places of employment to accept jobs in lower cost areas, it tends to be because those areas offer opportunities for homeownership that are not available on the Westside. Some employers also stressed the need for rental units near transit and community services to meet the needs of portions of the workforce, given the high financial bar for entry level ownership opportunities on the Westside.

Sector Concerns

Municipal Government. All four of the participating Westside Cities' personnel divisions were contacted, and representatives from Santa Monica and Culver City were interviewed for this study. Concerns highlighted by interviewees included the difficulty of retaining key staff for longer than two to three years, given more attractive opportunities for advancement with other municipalities in lower cost areas with more accessible entry-level homeownership opportunities. For the City of Santa Monica in particular, high housing costs present a formidable challenge to building a stable local government

workforce. Santa Monica has therefore recently decided to embark on a somewhat unique approach to this issue, focusing on increased local recruitment for staff positions, with a marketing campaign aimed at attracting nearby residents to available positions. This approach to reducing vehicle miles traveled by encouraging a “non-housing” solution may be one strategy that the Working Group could consider on a sub-regional basis to jointly encourage more local live / work patterns.

In Culver City, city officials interviewed for this study acknowledged that the high cost of housing is a potential factor in recruiting staff, but the City has not experienced noticeable impact from this issue to date. In terms of employee retention, Culver City has a very low turnover rate. However, due to an average employee age of 44 years, the City anticipates that more than 28 percent of its workforce will retire within the next 10 years. Thus, high housing costs may become a more pressing issue for Culver City over time.

Universities and Community Colleges. Here, the primary respondent, UCLA, is about to embark on a high-priority Workforce Housing Master Plan (see below) to develop new housing supply for faculty and staff. UCLA recognizes workforce housing as a key issue for recruitment and retention of its faculty and staff, joining other major California universities in this viewpoint. UCLA also views the issue as key to address as part of its sustainability initiative in order to reduce its greenhouse gas emissions. Even prior to the recently announced new Workforce Housing Master Plan undertaking, UCLA has engaged in a variety of activities to address the housing needs of staff and faculty, including developing some affordable rental housing on campus for faculty and graduate students, providing limited down payment assistance and low-interest loans, and maintaining a housing referral service for students and faculty with listings of rental housing across the Westside area.

The community colleges in the Study Area were also contacted, but only completed limited interviews for this Study. However, it should be noted that many of California’s community colleges have grown increasingly concerned about housing for their workers, as well as initiating sustainability efforts towards greening campuses and activities, including commute-to-work impacts.

Chambers of Commerce Regarding Medium and Smaller Businesses. The Beverly Hills Chamber of Commerce noted that smaller professional services companies in Beverly Hills, especially talent agencies, were experiencing substantial difficulty recruiting and retaining professionals due to high housing costs and/or long commutes. The survival of these types of businesses was threatened by this issue. The Culver City Chamber of Commerce echoed the concern about workforce housing impacts on its medium and smaller business members. Both Chambers’ representatives confirmed that it is difficult to introduce this topic to some area businesses, however, due to concerns that there will be financial impacts on the businesses.

Hospitals. Human resources representatives from both the UCLA Santa Monica Hospital and St. John’s Health Center were interviewed for this Study, and both registered deep concern for workforce housing, particularly in terms of impacting qualified staff recruitment and retention. While a majority of UCLA employees at these two hospitals live within 10 miles of their workplace, few (less than ten percent in the case of St. John’s) live within Santa Monica’s city limits, and most commute between 15 and 30

minutes each way. However, despite the double burden of high housing costs and long commutes, housing does not figure as the top reason for employee turnover in either hospital. Exit interviews at St. John's revealed that most personnel left employment due to relocation of a spouse, not housing issues. St. John's has participated in the Workforce Housing Task Force convened by the City of Santa Monica, and is interested in continuing to explore initiatives with other employers and policy-makers.

School Districts. Three K-12 school districts are listed among the Top 10 largest employers for Westside Cities. An interview with the Los Angeles Unified School District human resources department indicated that the availability of affordable workforce housing has not been an impediment to teacher recruitment; the District currently has a vacancy rate of 0.25 percent for its teacher positions. However, it should be noted that despite this point of view, the LAUSD is undertaking an employee housing development program, initiated with its recent release of Requests for Proposals from developers for several district-owned sites.

Entertainment Industry. Concerted efforts were made to interview Sony and MTV as part of this Study. A representative from Sony expressed strong workforce housing concern, and provided an interview. This representative made an interesting point, stating that although employees commute long distances, the entertainment industry in the region maintains a very strong attraction to potential employees, who tend to accept long commutes and/or high housing expenditures as a "given" in order to obtain employment within this competitive sector. Nevertheless, there may be interest in collaborating with local government on innovative approaches to addressing workforce housing challenges, provided careful attention is given to media reporting (as a special spotlight is placed on entertainment industry activities in the Los Angeles region).

Lodging Industry. Interest was expressed by one of the large hotel employers located within the Study Area. However, efforts to complete the interview were unsuccessful. Other large hotels did not respond or declined to participate in the interview process.

Other Private Employers. Interviews with two major private employers in different sectors (one in energy, the other in architecture and engineering) indicated that they do not currently provide workforce housing assistance, nor would they be interested in participating in such programs. Occidental Petroleum has 300+ employees at its headquarters staff, with most at the executive level. Staff is considered well paid, and non-executive staff has generous benefits, which the company believes moots the issue of a lack of affordable workforce housing. Housing costs are an issue in approximately 10 percent of executive recruitment and relocations; however, the company is able to provide targeted financial assistance (including salary adjustments) as needed.

Cannon Design is aware that its staff members face difficulties finding nearby affordable housing, particularly within a 30 minute or less commute time. These concerns are also heightened by staff difficulties in using the Los Angeles region's transit system for commuting; they are seeking efficient public transit similar to other large cities where staff came from. More recently, the high cost of gas has become a significant issue, and the company is promoting carpool arrangements. More senior employees looking to settle down can often afford mortgage costs for housing, but are challenged in

meeting downpayment requirements. Even with these factors, the company would not consider financial assistance beyond the informal counseling on finding housing that it now provides.

Major Employer Initiatives

Three new efforts outlined were identified during the employer outreach; each holds promise as a mechanism that could support the Westside Cities Working Group's efforts.

UCLA Workforce Housing Master Plan

UCLA Chancellor Block recently announced that the University would be preparing a Workforce Housing Master Plan to improve the supply of affordable housing available to UCLA faculty and staff. The planning process is now underway with an initial phase of extensive research on the housing needs and preferences of UCLA faculty and staff. As the Westside's largest employer and one of the largest landowners, this effort is perhaps the most important single employer-led initiative to provide a more ample supply of workforce housing in the Westside study area. Campus representatives contacted for this study stated that the University will be pursuing any and all strategies to use the University's significant resources to build an adequate supply of new affordable rental and ownership housing for all types of University employees and faculty members. While early in the planning process, potential strategies include utilizing University-owned land to defray development costs, acquiring additional sites, and an overall emphasis on infill development to create walkable neighborhoods and short commute distances to UCLA employment.

Los Angeles Business Council (LABC) Workforce Housing Initiative

The Los Angeles Business Council is an independent membership organization representing Los Angeles County's major employers. Over the past few years, workforce housing has emerged as a major issue for several of the LABC's important members with the result that the Business Council is now engaged in a multi-year initiative to develop a workforce housing strategy for LA County. A top level steering committee has been formed, and the *Workforce Housing Scorecard for Los Angeles County* report was released in September, 2008.

The Scorecard takes a long term view of trends in housing production for each of the cities within the County, and describes some of the same types of data profiled in this Study for the Westside. Specifically, the Scorecard explores growth in County population and households, total job growth, the number of new units produced, and changes in housing density. The Scorecard also discusses affordability of housing in a generalized way. The emphasis of the Scorecard is on evaluating how each city is doing in terms of its overall production of units relative to growth. Similarly to this Study, the Scorecard also introduces the measurement of jobs to housing units, using a 1.5 jobs per household assumption as its benchmark.

Los Angeles Unified School District Teacher/Staff Housing

The Los Angeles Unified School District recently launched a new initiative to develop housing projects for teacher/staff housing on district-owned land in the next few years. The approach currently being planned is to initiate this effort on active school campuses, with the first Request for Developer Qualifications for a site in Gardena released in late summer 2008. This first project is envisioned as a rental complex, housing new, entry level teachers to improve recruitment and retention. The District will offer the land that it owns at no cost, in exchange for reduced rental rates charged to the tenants. The District estimates that this will roughly translate into a 30 percent reduction from market rate rents, although the economics will be refined as the development partner is selected and the project concept is further refined. Two additional RFQs for developers are anticipated in the short term on other sites. The District hopes to also spur development of for-sale units for teachers.

Summary of Employer Outreach and Next Steps

The challenges of enlisting participation by large employers in the private, institutional, and public agency sectors of the Westside emerged during the course of this Study as a key obstacle in seeking collaborative solutions to workforce housing on the Westside.

Despite a limited response from private sector employers, outreach clearly indicated that the workforce housing is an emerging issue for many of the Westside's largest employers including UCLA, the City of Santa Monica, and major area hospitals. In addition, the ongoing workforce housing initiative sponsored by the Los Angeles Business Council in combination with UCLA's recently launched Workforce Housing Master Plan create two unique opportunities for Westside cities and the City of Los Angeles to join existing efforts and build broader interest and support for new workforce housing strategies across jurisdictions and sectors of the local economy.

Chapter 6: Financial Challenges to Workforce Housing

This chapter outlines the key components of the costs to develop workforce housing, and provides an overview of how these components combine to create ongoing challenges.

Components of Housing Cost

Land Costs

One of the most critical costs to produce inexpensive housing for Westside workers is land. Research for this report included canvassing published documents and members of the Westside Working group for typical land costs in the Study area. While these costs can range widely, data from the City of Santa Monica indicated that recent multifamily land sales ranged from \$80 to over \$200 per square foot of land, depending on a host of factors. The Santa Monica Draft Housing Element indicated that a recent search of the Multiple Listing Service (MLS) showed land at \$4 million per acre (\$91.82 per square foot of land). Information cited in the Los Angeles Housing Element indicated “...in 2005, land costs ranged from approximately \$36 per square foot in South Los Angeles with mixed commercial and residential zoning to \$46 per square foot in Panorama City (commercial zone) to \$93 per square foot in Westlake/MacArthur Park (for high density multi-family residential). In 2007, similar residential land prices had escalated to \$114 per square foot for commercial land in the La Brea/Jefferson area and \$111 per square foot for high density multi-family residential land in the Westlake/MacArthur Park area. In fact, in 2007, land prices were as much as \$450-\$500 per square foot in Central Los Angeles, where densities can exceed 200 units per acre.”

These widely varying numbers illustrate the factors at play in land markets, from the impact of desirable locations to the affects of substantial density. Land markets are often particularly volatile during and just after explosions in demand and resulting building booms, when speculative land purchases or just the expectation of a “windfall” can create distorted market data.

Construction Costs

Construction costs to build housing also contribute significantly to the overall challenge, although these trends tend to spike most markedly during building booms. During the most recent long building boom, global commodity prices also contributed to spikes in steel prices, needed for more densely developed projects. At other points in the building and economic cycle, the Westside area has experienced shortages of skilled labor or equipment, spiking costs. Currently, although perhaps not as noticeable amidst the general slowdown in building, transportation costs for materials has also risen. In addition, as projects become more dense, the costs of structured parking (e.g., above-ground, at grade, or below-grade parking garages) become more substantial cost components. Structured parking today can range from \$15,000 to more than \$35,000 a space, depending on the type and design of the garage portion (excluding the land to contain this part of the building). Thus, a two-car parking requirement in a typical multifamily project in the Westside can add \$70,000 or more to the cost of the unit, or up to \$500 a month to the mortgage payment.

Infrastructure Costs and Impact Fees

A major issue that affects individual projects is the presence of sufficient infrastructure, both to serve the project and within the broader area. Often, area-wide infrastructure costs are passed forward to the developer in the form of impact fees to pay for citywide roadways, parks, schools, and other municipal improvements. While these fees are necessary given the current fiscal situation of local governments built up from decades of taxation policies and deferred maintenance, these kinds of costs are also often distressing to individual project developers and their customers or tenants as they are passed along.

Examples of Feasibility Gap

The economics of developing housing in the Westside Study Area pose a substantial challenge, given the maximum sale price of housing which can be afforded by the tiers of household income comprising workforce housing as defined by this Study.

The following page presents a series of hypothetical, generalized pro formas for for-sale multifamily housing, assuming 50 units an acre on a one acre infill site in the Westside. The key variable which is analyzed on the first three columns is the cost of land, if purchased in today's market without any assistance. According to estimates by the cities in the Westside, current residentially-zoned land ranges from approximately \$150 per square foot to upwards of \$300 a square foot. These land prices do not allow for market rate development of units affordable to workforce households, as shown. For example, in a typical 50 unit project on one acre, assuming two parking spaces per unit for a two-bedroom unit sized relatively small at 1,100 square feet, if built on land costing \$150 per square foot, the unit would need to sell for at least \$564,000 before marketing costs (commissions). The maximum price that a four-person household can afford to pay if at 180 percent AMI (the top end of the Study definition), however, is \$420,500 (per 2007 income limits; would be slightly higher in 2008 or 2009). Thus, even this household could not afford the basic small ownership condominium unit, even at the lowest reported land values (cited in Los Angeles City Housing Element, but not specifically for the Westside area). At the more likely land costs of \$200 or more per square foot, which represents the costs for land cited by Westside cities and developers, the unassisted ownership unit would need to sell for \$610,000 or more, depending on this land cost and other factors.

The right side of the following page shows the effects of several key changes that could reduce this cost to the workforce housing buyer. First, the land cost assumption is reduced to \$50 per square foot, and a lower parking ratio of one space per unit is assumed. These changes would enable the four-person household at the 180 AMI level to afford the unit. This type of land write-down could be created by using underused publicly-owned property, adding these units to a market rate project via density bonus/inclusionary mechanisms, or obtaining land at below market rates from large employers. Next, the "unbundled" parking concept is illustrated, meaning that no parking spaces are included with the unit (a potentially viable scenario if located near transit, or if car-sharing were incorporated into the project). This decreases the price to a range affordable to the 150 percent AMI household. Finally, a scenario of no land cost (e.g., on publicly-owned or employer-owned) along with unbundled parking is tested, resulting in further improvements in affordability.

Illustrative Pro Formas for New Housing Construction, Westside Study Area

	Scenarios Without Assistance			Scenarios with Reduced Land Cost / Policy Changes		
				Reduced Land Cost + Lower Parking Ratio	Reduced Land Cost + Unbundled Parking	No Land Cost + Unbundled Parking
Land						
Land Cost Per Square Foot	\$150	\$200	\$300	\$50	\$50	\$0
Land Cost Per Acre	\$6,534,000	\$8,712,000	\$13,068,000	\$2,178,000	\$2,178,000	\$0
Number of Units	50	50	50	50	50	50
Land Cost per Unit	\$130,680	\$174,240	\$261,360	\$43,560	\$43,560	\$0
Construction						
Site Prep	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Hard Costs - Units	\$9,487,500	\$9,487,500	\$9,487,500	\$9,487,500	\$9,487,500	\$9,487,500
Hard Costs - Parking	\$4,000,000	\$4,000,000	\$4,000,000	\$2,000,000	\$0	\$0
Soft Costs	\$3,471,875	\$3,471,875	\$3,471,875	\$2,971,875	\$2,471,875	\$2,471,875
Fees/Permits	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000
Subtotal Costs	\$18,609,375	\$18,609,375	\$18,609,375	\$16,109,375	\$13,609,375	\$13,609,375
Per Unit	\$372,188	\$372,188	\$372,188	\$322,188	\$272,188	\$272,188
Construction Period Interest	\$1,442,601	\$1,567,564	\$1,817,489	\$1,049,238	\$905,801	\$780,838
Profit (as % of Hard Costs)	\$1,618,500	\$1,618,500	\$1,618,500	\$1,378,500	\$1,138,500	\$1,138,500
Total Cost of Project	\$28,204,476	\$30,507,439	\$35,113,364	\$20,715,113	\$17,831,676	\$15,528,713
Total Cost per Unit	\$564,090	\$610,149	\$702,267	\$414,302	\$356,634	\$310,574
Max Affordable Sale Price						
120 % AMI - 3 person HH	\$252,216					
120% AMI - 4 person HH	\$280,332					
150% AMI - 3 person HH	\$315,890					
150% AMI - 4 person HH	\$350,622					
180% AMI - 3 person HH	\$378,820					
180% AMI - 4 person HH	\$420,498					
Assumptions						
Density per Acre	50 units					
Site Prep/Infrastructure	\$8,000 per unit					
Avg. Unit Size - 2 bdrm	1,100 sf					
Efficiency Factor	15%					
Hard Costs Per Square Foot	\$150					
Parking Per Unit	2 spaces per unit, underground garage				1 space per unit, underground garage	
Cost per Parking Space	\$40,000					
Soft Costs as % of Hard	25%					
Fees/Permits	\$25,000 per unit					
Construction Period Interest	7.5%					
Construction Period	18 months					
Avg Outstanding Loan Balance	60%					
Loan to Total Cost	85% of total costs inc. land					
Profit	12% of hard costs					

Source: BAE, 2008.

These scenarios would need further customization for each jurisdiction within the Study Area, in order to specifically represent the combination of land costs, parking ratios, infrastructure costs, fees/permits, and other factors. They are intended to be generalized, in order to illustrate the overall challenge of developing units affordable to workforce households seeking ownership units, as well as show how changes in key assumptions can facilitate less costly projects. The following chapters describe how these and additional techniques can assist in workforce housing development.

Chapter 7: Strategies for Westside Workforce Housing

This chapter provides a comprehensive set of approaches to providing workforce housing serving households between 80 to 180 percent of Area Median Income (AMI), as summarized in the chart below.

Each of these strategies is detailed further in the following pages. The strategies are drawn from a literature review, case studies, and interviews with key policymakers, lenders, and housing practitioners in California and throughout the U.S. Each strategy is evaluated for implementation in the Westside, and recommended next steps to initiate the strategy are provided. In addition, Appendix F provides several case study examples of projects and programs in California which have combined several of these strategies to develop workforce housing.

Summary of Recommended Strategies for Increased Westside Workforce Housing					
	Reduce VMTs	Expand Supply	Support Ownership	Reduce Dev Costs	Create Partnerships
Build a Coalition of Westside Employers and Local Governments					
Link Workforce Housing Directly to Climate Change Strategies					
Dedicate Land to Reduce Cost of Workforce Housing					
Produce Workforce Housing Through Inclusionary Ordinances					
Leverage Available Financing Sources					
Acquire or Facilitate Purchase of Foreclosed Properties					
Refine Transit Oriented Development Incentives for Westside					
Creatively Mix Incomes and Funding Sources					

Build Coalitions of Westside Employers and Local Governments

Overview

One of the key challenges to fostering increased opportunities for the Study Area's workforce to live near places of employment is the need to improve dialogue and reach out to employers in the Westside. As highlighted previously in this report, interviews conducted for this report underscored the need to build a coalition, including developing a common understanding between large employers and local governments about the need for workforce housing solutions, and the benefits of working together to address these issues. Moreover, because workforce housing has traditionally not been at the center of affordable housing initiatives, the concept of partnerships with employers who need workers to thrive is relatively new and not as fully institutionalized in local government work as lower income programs.

Two examples of coalitions between employers, local governments, and housing developers are profiled below:

- ***Terwilliger Center for Workforce Housing (ULI).*** A promising approach to the challenge of forming a coalition between employers and housing developers is currently being undertaken by the Urban Land Institute, through its Terwilliger Center for Workforce Housing. This initiative, created in 2007, is designed to address increased development of housing affordable to moderate-income workers, including teachers, nurses, firefighters, government workers, and police officers. Initially, the Center is focusing on Atlanta, Southeast Florida, and Washington, D.C. areas, and is targeting production of housing for households earning between 60 and 120 percent of median income. The Center has been working to engage staff for each target geography, interviewing employers and developers, and is currently building coalitions to focus on identifying underutilized land and regulatory barriers to housing production.

An interview with Center staff to the D.C. initiative conducted for this Study indicated that their research suggests that employers are best engaged if it is clear that the "ask" for participation does not involve financial contributions, but instead provides practical discussions with the housing development community. Moreover, emphasis on supporting approvals for proposed projects in infill locations has become an initial focus of the Center's work plan. The Center has developed a list of criteria to be used to formulate an endorsement of specific projects in the Washington D.C. region that promote workforce housing.

- ***Silicon Valley Leadership Group (SVLG).*** This active organization of business leaders in Silicon Valley has had a longstanding commitment to promoting increased affordable and workforce housing. The SVLG helped initiate the Santa Clara Housing Trust Fund (see next page for details), and has also developed criteria to be used to endorse specific projects, and has a program to actively support such projects. SVLG also has prepared several policy statements regarding support of infill development and conversion of industrial lands to housing, and has helped to find workable solutions to a goal of 20 percent inclusionary housing within a major undeveloped portion of San Jose currently being planned through a Specific Plan (Coyote Valley).

Evaluation for Westside Study Area

One of the key findings of this Study is that at present, many large employers in the Westside Study Area are not yet ready to come together with local government to discuss workforce housing needs. At the same time, some key large employers recognize this issue, and are very interested in finding creative solutions to improve their workforce retention and productivity. Due to the various stages of thought, as well as the emerging and exciting initiatives forming through the Los Angeles Business Council the UCLA Workforce Housing Master Plan (which will affect the UCLA medical facility in Santa Monica as well), and the Los Angeles Unified School District teacher/staff housing initiative, as well as interest expressed by employers such as Sony, St. John's Medical Center, and public sector employers, there is a clear opportunity for the Westside Working Group and COG to build a Westside coalition. Working together as a joint initiative, this coalition-building will benefit all of the jurisdictions in the Westside, and a joint effort can share costs and address housing needs throughout the commute-shed with employers who form the foundation of the Westside's economy.

The benefits of working together on building a working coalition between the public and private sectors include:

- Jointly address a key issue impacting both public sector and private employers
- Marshall the resources and expertise of each sector, including funding and individual initiatives
- Lower the cost and increase the effectiveness to each local jurisdiction by working together
- Reduce the inclination to view workforce housing as the other city's problem, by acknowledging that the Westside serves as a cohesive economy, and workforce housing issues impact all jurisdictions within the area

Recommendation: Establish a Westside Coalition-Building Process

It is recommended that the Westside COG consider creating a Westside Coalition-Building process, as a natural outgrowth of this study and other joint, ongoing work together.

Next Steps

As part of the interviews conducted for this Study, a possible "next step" was tested by asking interviewees if they would be interested in attending a Westside Workforce Housing Summit later this fall. Most private company and public agency representatives expressed strong interest in this type of cross-cutting event as a way to hear about others thoughts and initiatives, and come together around this issue in an exploratory manner.

Thus, it is recommended that the Westside Cities Working Group propose this next step to each city, with dedicated staff time to organize it. It is likely that this explicit outreach will then lead to the need to fund a part-time staff person or consultant to continue with the process, working with a Committee to formulate a workable set of joint Westside initiatives (see others in following sections).

Link Workforce Housing Directly to Climate Change Strategies

Overview

As California moves forward to implement AB32, its climate change legislation, state and regional agencies are preparing a series of strategies and regulations which move toward incentivizing reduction in VMT. While the connection to land use planning is not yet fully integrated in this process, it is being made separately through other state actions expanding environmental review processes. This evolving picture of how California and its local governments will implement greenhouse gas reduction and slow climate change is both exciting and challenging.

A key example of state implementation, linking together transportation planning, land use planning, and housing production policies, is SB 375. This major law, signed in late summer 2008, aligns the process of transportation improvements planning and funding with the Housing Element process. It requires each metropolitan transportation planning agency (MPO) in California to draft a Sustainable Communities Strategy (SCS) or alternative mechanism, demonstrating how proposed transportation improvements will support sustainable land use and reduce greenhouse gases per AB 32¹². The law also aligns the planning cycles for transportation funding and housing element preparation, so that these two major events can be conducted in tandem, and Regional Housing Needs Allocations (RHNA) can be sensibly distributed near transit facilities. In terms of affordable housing, SB 375 provides incentives to develop affordable housing near transit stations and streamlines these projects' environmental review process under the California Environmental Quality Act (CEQA).

During the next few years, as this legislation is fully implemented, the concept of linking the workplace, commute patterns, housing production, and housing affordability will be tied closely together for each region.

Another intriguing concept is to consider in the Westside is combining workforce housing needs and benefits in reduced vehicle miles travelled (VMT) by locating near place of work, with the concept of local voluntary carbon offsets. Voluntary carbon offsets involve monetizing the reductions in greenhouse gases from a project, such as the reforestation of a depleted rainforest elsewhere in the world. However, several public agencies including the cities of Berkeley and San Francisco, are currently developing programs to make these project investments locally, to promote other community or city goals. The Enterprise Foundation is also engaged in this type of program, creating marketable carbon offsets, selling them, and using the funds to subsidize green affordable housing. Further analysis of this idea, applied to monetizing the reduction in VMT, and investing that money raised from sale of the offsets into workforce housing projects, is needed.

Evaluation for Westside

As California moves forward to implement AB32, its climate change legislation, state and regional agencies are preparing a series of strategies and regulations which move toward incentivizing reduction

¹² In the case of the Southern California Association of Governments (SCAG) region, the law provides for sub-regional SCS efforts.

in VMT. With the advent of SB 375 in 2008, this link between land use, transportation, and the amount and cost of housing is further reinforced by realigning the various regional/sub-regional planning processes. For Beverly Hills, Culver City, Santa Monica, West Hollywood, and the City of Los Angeles, all of whom have committed through their mayors to participate in greenhouse gas reduction programs, the link between reducing in-commuting by providing affordable and workforce housing is beginning to crystallize.

Recommendation: Research and Formulate a Policy for the Westside which Links Workforce Housing with Climate Change Strategies and Plans

As SB 375 is implemented, the realignment and linkage between commuters, housing production, and housing affordability will become signification. The next cycle of Housing Elements, aligned with SB 375, will Further research is needed to fully recommend a strategy for this linkage between land use, housing, VMT, and climate change. In general, some research is needed to establish a baseline measurement regarding current conditions, and then a set of strategies (which can include local carbon offsets) will need to be formulated to create implementation mechanisms for each jurisdiction.

Dedicate Land to Reduce Cost of Workforce Housing

Overview

One of the key barriers to producing new housing units in the Study Area is the high cost of land for development. According to the Santa Monica Workforce Housing Task Force recommendations, high land costs of \$200 or more per square foot is one of the most significant constraints to achieving its goals. The City of Los Angeles Housing Element 2006 – 2014 also cites land costs as high as \$100 per square foot or more, and rapid land appreciation as among the top barriers to production of low cost housing. In 2007, the Los Angeles Business Council's Mayor's Housing Summit announced formation of the New Generation Fund to address this issue. The Fund is a partnership between Enterprise Foundation and the City of Los Angeles Housing Department to create a \$200 million land acquisition and pre-development revolving loan fund. The goal of this effort is to support the development of up to 20,000 housing units in Los Angeles over the next ten years.

Using publicly-owned or employer-owned land can be a key factor in reducing housing costs in today's marketplace, especially in cases where an aging or obsolete existing facility has outlived its useful life, or when new facilities are under consideration that could be mixed with housing in the same project. Examples of this approach include:

- New York City has adopted an aggressive stance on dedicating publicly-owned sites to affordable housing uses. The City's Department of Housing Preservation (HPD), states a goal of producing 165,000 affordable units over 10 years, with many of these units to be built on properties controlled by housing-related agencies. In addition, HPD has partnered with the Department of Transportation, the Health and Hospitals Corporation, and the Human Resources Administration for housing on surface lots, school sites, and aging hospital sites.
- At UC Irvine, the 220-acre University Hills development is based on use of its land for faculty and staff housing. This 1,200-unit development offers faculty and staff affordable ownership and rental housing through a land trust model, whereby eligible buyers purchase and sell individual units, but the UC Regents maintain ownership of the land, thereby keeping prices 20 to 30 percent below market-rate levels. The Irvine Campus Housing Authority (ICHA), a non-profit, public benefit corporation created by the Regents, oversees the development of University Hills and administers the land trust. Construction of University Hills has occurred in phases, beginning in the early 1980s with Las Lomas Apartments. Since then, University Hills has expanded to include a diverse range of product types including condominiums, townhouses, and single-family homes.

Evaluation for Westside

During the course of this Study, the convergence of cities seeking workforce housing, the high cost and/or scarcity of developable land, and the land holdings/redevelopment needs of private large employers emerged as a promising potential "match" in the Westside. For example, UCLA is planning to seek sites to develop workforce housing, and also to integrate housing into other on-campus facilities as they redevelop. Similarly, as hospitals rebuild and/or consolidate (see example of the Santa Barbara

Cottage Foundation in Appendix F), and the LAUSD tests incorporating teacher/staff housing into its school rebuilding program, additional underutilized sites will emerge in the Westside.

Other possibilities worth exploring include city-owned parking lots with air rights, corporation yards, bus parking lots and storage facilities, and even utility company landholdings and obsolete entertainment industry facilities. In other cities in California, this creative use of land held by private corporations has even extended to remodeled supermarkets, who have been experimenting with their own mixed-use housing project prototypes (e.g., Safeway, Whole Foods, and Trader Joe's).

This strategy is envisioned as not only serving the needs of an individual employer for its own workforce, but potential combinations of dedicated housing and more generally available units in the same project. For example, imagine the economy of scale and interesting possibilities of a university joining forces with a Low Income Housing Tax Credit developer, to create a mix of incomes in a rental project, from market rate to workforce to low income, using land held by the employer and a density bonus that provides the non-employer housing with more units.

Recommendation: Identify Underutilized Land and Opportunities to Combine Land Resources

This strategy may best be implemented jointly by the Westside COG and Westside Cities Working Group, especially because major employer initiatives such as UCLA can likely serve workforce housing needs across the Study Area.

Next Steps

The recommended next step is to conduct an initial Westside Housing Infill Study, to identify potential underutilized lands as well as link these sites to emerging organization-specific initiatives to redevelop facilities which could accommodate workforce housing in a mixed use, or mixed income setting.

It should be noted that a “first-cut” tool, published online by CALOTS¹³, has been used already by many Westside jurisdictions to identify potential infill site locations for housing. However, this tool is based on a basic formula of the ratio of “improvements to land” values per county assessor’s data, and should be considered as an initial screen, rather than a comprehensive list of possibilities. For example, numerous landholdings may not appear in CALOTS, due in part to the fact that non-taxable lands often do not appear in methods used in broad-brush infill tools based on property tax databases.

¹³ <http://lots.ucla.edu/Master.cfm>

Produce Workforce Housing Through Inclusionary Ordinances

Overview

Inclusionary programs are established through local ordinances that require market rate residential developers to set aside a certain portion of units in a development for income-restricted affordable housing (both rental and owner). Many inclusionary ordinances also give developers the option of satisfying inclusionary housing requirements through payment of an in-lieu fee. In addition, some inclusionary programs allow compliance through land dedication, off-site construction, and/or partnerships with affordable housing developers.

According to a 2007 study by the Non-Profit Housing Association of Northern California (NPH), approximately 170 California counties and cities have inclusionary programs, representing roughly one-third of all California jurisdictions. Among the 91 jurisdictions examined in the NPH study, the required percentage of affordable units ranged from 4.5 percent in the City of Walnut Creek to 35 percent in the Cities of Davis and Salinas.¹⁴ These 91 programs created 29,280 affordable units statewide between 1999 and 2006 – an average of approximately 4,500 annually.

Many programs do not require the affordable and market rate units to be the same tenure; a market rate for-sale project may satisfy its inclusionary housing requirement through affordable rental units. In fact, NPH reports that as much as 71 percent of inclusionary units built between 1999 and 2006 were rental units.

The statutory and programmatic requirements of inclusionary housing programs vary among jurisdictions, including aspects such as the mandated percentage of affordable units; target income population; the length of time the affordability restrictions apply to the inclusionary housing units; the minimum development size that triggers an inclusionary requirement; and the option of an “in-lieu of development” fee. For homeownership units, different models of appreciation and equity sharing exist; in general, these programs typically place deed restrictions on the affordable units, with resale terms and/or equity sharing policies to assure that the unit remains in the local affordable housing stock for an extended period of time.

In-lieu fees serve as an alternative compliance method within inclusionary housing programs, allowing the developer to pay a fee instead of constructing the affordable units. Some locales only allow payment of the fee if the developer can prove that it would be economically infeasible to build the inclusionary units on-site, while others offer developers the in-lieu fee option by right. Jurisdictions redirect these fees to other affordable housing activities, including leveraging new affordable housing construction, homebuyer and renter assistance, acquisition and rehabilitation projects, etc. In-lieu fee calculations and amounts vary widely across programs, ranging from \$5,000 to over \$300,000 per affordable unit. Some jurisdictions set fees at relatively high levels specifically to encourage market rate developers to build the inclusionary units. In contrast, other local governments prefer to collect in-lieu

¹⁴ The Walnut Creek, Davis, and Salinas programs all have a range of requirements, which vary according to project circumstances.

fees because these revenues can be used for such a wide variety of affordable housing programs.

It should be noted that Inclusionary housing programs typically serve households up to 120 percent of AMI. However, several programs in California target higher income groups (e.g., Santa Barbara County, City of Santa Barbara, and Carpinteria – see profiles of these programs in Appendix E).

Evaluation for Westside

This approach potentially leverages existing inclusionary policies in Santa Monica and West Hollywood to include a higher range of target household incomes, thereby creating an additional inclusionary requirement which would not detract from existing programs serving lower income households¹⁵. This approach can also serve to initiate new policies aimed at 80 to 180 percent AMI units in Beverly Hills and Culver City, where the economics of this middle income group potentially mix well and support the bottom line of market rate projects. The recently-released Beverly Hills Draft Housing Element recommends pursuing an Inclusionary Housing Study and ordinance consideration, which could be expanded to incorporate the above 120 percent AMI workforce tiers as part of the same process.

Due to the previous efforts to adopt an inclusionary program for the City of Los Angeles, which ultimately did not reach fruition, as well as the fact that just a portion of Los Angeles is included as the Westside, it is recommended that the City of Los Angeles not be included in this initiative at this time.

Recommendation: Develop a Model Ordinance for Workforce Inclusionary Housing

To best facilitate consideration of this approach in the four incorporated Westside Cities, a jointly analyzed and formulated model ordinance could accomplish the groundwork for all cities while sharing costs.

Next Steps

The Model Ordinance process can be funded jointly by the four incorporated cities. It should include an economic feasibility analysis for specific example projects in each city, along with a series of recommended best practices which ensure a workable model. It should be noted that the most successful undertakings to develop inclusionary ordinances involve members of the development community, both for-profit market rate housing developers and non-profit affordable housing developers, in order to ensure coordination and workable solutions.

¹⁵ Both the City of Santa Monica and the City of West Hollywood are especially concerned that workforce housing initiatives not detract from funding or resources dedicated to lower income affordable housing needs.

Leverage Available Financing Sources

Overview

The federal government and State of California have long strived to promote affordable homeownership, by offering an array of financing programs to assist non-profit and for-profit developers with project financing through both debt and grant programs. While most of these public sector programs to date target households earning only up to 120 percent AMI (Tier 1 of the definition for workforce housing used in this report), it should be noted that recent foreclosure legislation may provide grants to local governments to assist households in higher AMI categories.

The following briefly profiles federal, state, local, and private financing source examples which can be utilized for workforce housing development projects.

Federal and State Financing Mechanisms

The federal government provides a wide array of financing mechanisms to support low and moderate income housing production and / or purchase, typically up to the 120 percent AMI level. The U.S. Department of Housing and Urban Development (HUD) is the primary federal agency, providing funding through several programs aimed at increasing homeownership up to 120 percent AMI income levels. These programs are not profiled here, but can be reviewed online¹⁶. Many of the programs are restricted to either Census Tracts with concentrations of poverty, or targeted to special needs populations, and as such, may not be directly applicable to the higher end of the workforce housing income spectrum. Others, such as the mortgage programs supported by the federal government, have sale price restrictions making them less relevant in high cost areas like the Westside.

At the state level, California also provides a wide array of loan and grant programs for housing production, as well as buyer and renter assistance. These programs are also available for review online, and many are utilized in the Los Angeles region, particularly through the City of Los Angeles Housing Department (LAHD).

Local Affordable Housing Bonds

At the local level, cities and counties in California can issue general obligation bonds for affordable housing. For example, City of San Francisco voters approved \$100 million in general obligation bonds for affordable housing in 1996. However, given the difficulty of obtaining a two-thirds vote (required at the local level for bond issuances) most local attempts to approve housing bonds have failed in recent years, including bond proposals in both San Francisco and Los Angeles.

Redevelopment Agency Requirements

California Community Redevelopment Law requires redevelopment agencies (RDAs) to set aside 20 percent of all tax increment revenue for affordable housing serving low and moderate income households up to 120 percent of AMI. In addition, at least 15 percent of non-Agency developed housing in the Project Area must be made affordable to low- and moderate-income households, including six

¹⁶ <http://www.hud.gov/>

percent for very low (e.g., up to 50 percent AMI) and nine percent at moderate income levels (e.g., up to 120 percent AMI).

According to the HCD Redevelopment Housing Activities Report, in Fiscal Year 2005-2006, agencies spent \$1.1 billion of housing funds, which included some non-project area revenues such as debt proceeds, interest, and sales. These expenditures were distributed as follows:

- 43 percent - Building (acquisition, construction, rehabilitation, and site improvements)
- 23 percent - Other (planning & administration and other)
- 22 percent - Debt (service and fund transfers)
- 12 percent - Subsidies (units at-risk, mobile homes & parks, and owner/renter assistance)

Through these expenditures and the production of inclusionary units, redevelopment agencies in California assisted a total of 16,255 households, of which 87 percent were very low- and low-income households. Although HCD does not require RDAs to report the tenure of units produced, the report does note that RDAs contributed to affordable ownership housing through buyer assistance, new unit production, and grants for repair.

Three of the four cities in the Study Area have adopted Redevelopment Project Areas (e.g., Culver City, Santa Monica, and West Hollywood), which may offer opportunities for joint or distinct collaborations to produce housing up to 120 percent AMI, the first tier of income targeted by this study. This subsidy source can also be considered along with other sources to create mixed income workforce housing projects which serve 80 to 180 percent AMI.

Housing Trust Funds and Permanent Revenue Sources for Housing

Across the country, more than 600 housing trust funds have been established by cities, counties, and 38 states.¹⁷ These dedicated funds support affordable housing activities, including homeownership initiatives. The dedication indicates that these dollars cannot be easily siphoned off for other purposes, and allows for more effective long-term planning of housing development and rehabilitation efforts.

Within California, 21 cities and eight counties have housing trust funds. A small number of public-private ventures (such as the Silicon Valley Housing Trust Fund, see Appendix F for profile) also finance housing trust funds.¹⁸ California's local housing trust funds earn revenues from a range of sources including redevelopment tax increment set-aside dollars, developer fees such as inclusionary housing in-lieu fees and jobs-housing linkage fees, taxes such as real estate transfer taxes, document and recording fees, loan repayments, and interest from various government-held accounts. Some housing trust funds can also receive appropriations and/or special allocations to augment existing dollars. In addition, as one of the programs funded by Proposition 46, HCD's Local Housing Trust Fund Program dedicated \$24 million as a match to local housing trust fund dollars.

Although California does have a State housing trust fund, it lacks a dedicated revenue source, and

¹⁷ *Housing Trust Fund Progress Report 2007*. Mary Brooks, Center for Community Change. 2007.

¹⁸ *Ibid.*

therefore does not offer ongoing support for affordable housing activities. Following the passage of Propositions 46 and 1C, demand for a permanent source of affordable housing funds has grown at the State level. The California Department of Housing and Community Development (HCD) is currently spearheading the development of a permanent source, and conducted regional stakeholder meetings throughout the State in summer of 2008. Preliminary feedback from stakeholders has indicate broad support from businesses and local governments for homeownership assistance to households earning incomes from 120 to 200 percent of AMI. Preliminary considerations for a permanent statewide source of funds include a real estate transfer tax (the most commonly used revenue source by state housing trust funds), a document recording fee, a reduced interest mortgage deduction cap, and a transient occupancy tax.

Private Workforce Housing Funds

Investment funds dedicated to workforce housing provide financing for the development of affordable rental and ownership units. These funds employ a variety of lending models and draw from a pool of investment sources, including banks, employers, pension funds, and public agencies. Workforce housing funds must serve a “double bottom line,” yielding both financial returns to investors and benefits to the community through affordable housing production. Examples are profiled below, although it should be noted that with the subprime mortgage crisis, the future business plans of these funds may shift.

Genesis Workforce Housing Fund. The Genesis Workforce Housing Fund, initiated in 2004 and fully capitalized in 2005, is a \$102 M real estate investment fund that provides equity and mezzanine financing for the development of mixed-use, commercial and workforce housing in the Los Angeles region. Fund managers expect to attract millions of dollars of additional private financing, resulting in the production of over 2,100 units for market rate, for-sale and rental units affordable to middle-income residents, totaling approximately \$500 M in new housing. The Genesis Workforce Housing Fund targets development to low and moderate income tracts and redevelopment areas that are located near the area’s urban core, and seeks to provide housing options for households earning between 80 percent and 200 percent AMI. The fund will provide up to 85 percent of total development costs, and seeks an 8 to 12 percent rate of return.

California Community Reinvestment Fund’s Workforce

Housing Fund. Formed in 2005, the California Community Reinvestment Fund’s Workforce Housing Fund is a \$24 M investment fund that will provide equity and mezzanine loans to affordable housing developers building for-sale units. The Workforce Housing Fund’s primary focus is to fund multifamily

Example Project: Renaissance, Inglewood California. Located at the corner of 90th Street and Crenshaw Boulevard near LAX, Renaissance represents the first major master planned community in Inglewood in two decades. The project site encompasses 15 acres and 122 single-family detached homes. Van Nuys based developer John Laing originally anticipated pricing the homes around \$400,000 when the first phase came in on line in 2006, but actual sale prices ranged from \$500,000 to \$700,000.



housing developments in high cost area across the state.¹⁹ The California Community Reinvestment Corporation (CCRC) is a non-profit lending consortium that receives funding from over 40 member financial institutions operating in the state including Bank of the West, Wells Fargo, Union Bank of California, Bank of America and Washington Mutual. CCRC's mission is to provide long-term mortgage and bond financing, as well as, direct equity capital for affordable and workforce housing development. To date, the CCRC has approved over \$730 M in affordable housing loans, resulting in the construction of over 23,000 housing units statewide. CCRC's Workforce Housing Fund provides financing for pre-development, acquisition, construction and rehabilitation of units located in low and moderate income census tracts that are affordable to households earning between 80 percent and 120 percent AMI. The Workforce Housing Fund will provide between 10 and 30 percent of total project costs, with an expected rate of return between 14 and 20 percent on for-sale projects and 12 to 18 percent on rental projects.

CityView. CityView was founded by former HUD Secretary Henry Cisneros in 2003 to provide a “one stop shop” for equity and debt financing targeted to developers of work force housing in infill areas. Since 2003, CityView has provided approximately \$700 M in financing for over 6,000 units of workforce housing across fourteen states, including hundreds of units in the Los Angeles area. CityView's major investment partners include CalPERS (\$100 M +) as well as smaller public employee retirement funds such as the Los Angeles City Employee Retirement System (LACERS). Projects range in size from 100 to 500 units with prices aimed at entry level homebuyers. Most ownership projects funded by CityView are not income-qualified or deed-restricted; instead, this organization aims to develop non-subsidized inexpensive ownership housing using its expertise and ability to obtain large investors. Beyond providing equity and debt financing to developers of high quality infill projects, CityView enters into partnerships with developers to act as a resource for entitlement support, land acquisition, governmental assistance, marketing, community outreach, and project insurance. With escalating insurance costs for multifamily attached for-sale developments in California, the ability to leverage more affordable insurance premiums is particularly important for CityView's partners. CityView is headquartered in Santa Monica.

Evaluation for Westside

The array of financing sources is included here to indicate that financing for workforce housing development projects is available, although many sources limit their use to households earning up to 120 percent AMI. With the surge in foreclosure activity, additional sources may soon be created through recent federal legislation. Finally, the concept of blending more permanent public contributions with private large employer contributions, as demonstrated by the Silicon Valley Housing Trust Fund, which may be an exciting model for the Westside to undertake collaboratively.

One of the main challenges in the realm of affordable and workforce housing finance is connecting sites, developers, and financing sources, as well as connecting potential financing sources from interested large private employers. This process often works in a sort of market-driven, haphazard way, with a site catching the eye of a developer, who in turn uses his/her expertise to package a project. Alternatively, a

¹⁹ For further information about the CCRC and the Workforce Housing Fund see <http://www.e-ccrc.org/>.

private financing fund may package dollars, but not have direct connections to employers or developers in a local area to systematically create a project, causing a search for sites and partners.

Recommendation: Develop a Mechanism to Connect Multiple Financing Sources with Sites and Developers

It is recommended that the Westside consider creating a mechanism to connect financing sources with project sites and developers in a systematic way, to achieve workforce housing development in the Study Area. This mechanism could function in a comprehensive manner, seeking to blend public and private dollars similar to the Silicon Valley Trust Fund, along with technical expertise. This approach would require both leadership to bring together public and private sectors, and joint funding to support at least one full-time staff person working in this capacity on behalf of all parties.

Alternatively, the Westside could take a more periodic approach, convening events which connect these disparate parties together in a “marketplace” setting. A potential model for this activity is the Urban Land Institute’s (ULI) Marketplace, which is convened each year by the ULI Los Angeles District Council. This event, which focuses on “inner city” development, seeks to match cities with target in-fill sites to developers with interest and expertise in urban development. The event also includes speakers discussing areas of expertise and providing examples of success stories. This same concept could be organized annually as the “Westside Workforce Housing Marketplace.”

Acquire or Facilitate Purchase of Foreclosed Properties

Overview

Although policymakers are focused on helping owners keep their homes, the ongoing wave of foreclosures may present an opportunity to purchase foreclosed properties and resell them as affordable workforce housing. This approach is now being evaluated by local governments and affordable housing organizations around the State and nation.

As an example of a long-standing public effort, the Department of Housing and Urban Development (HUD) operates a series of programs that sell foreclosed properties that it owns at a discount to support local revitalization efforts and affordable homeownership.²⁰ Under the 602 Non-Profit Disposition Program, established in 1998 and revised in 2004, HUD-owned homes are sold for 50 percent of their assessed value to local governments and non-profit organizations participating in the program. Local partner agencies must identify an Asset Control Area (ACA) within an already-established HUD Revitalization Area, and contract to purchase all HUD-owned single-family homes in the ACA. The homes are then resold to households with incomes of less than 115 percent of the area median income. Buyers can also tap into additional subsidies to assist with the purchase. As of 2007, HUD had 602 Program agreements with organizations in 11 sites throughout the country, including Enterprise Home Ownership Partners, Inc. in Los Angeles.

NeighborWorks America is currently exploring the feasibility of converting Real Estate Owned (REO) homes into affordable homeownership opportunities.²¹ NeighborWorks has recently partnered with the Enterprise Foundation, the Local Initiative Support Corporation (LISC), and the Housing Partnership Network to establish a “community stabilization trust.” The trust would provide funding and technical assistance to local organizations and loan servicers looking to convert REO properties into affordable homes. NeighborWorks reports that the details of the program remain conceptual, and the business model must still be formulated.

NeighborWorks has also partnered with the Federal Reserve to develop education and training materials for local organizations looking to use REO homes as affordable housing. This initiative will publicize successful efforts by community-based groups throughout the country, offering a replicable model for other communities. For example, Los Angeles Neighborhood Housing Services (LA NHS) serves as a residential broker, connecting lenders selling REO homes with low- and moderate-income buyers. This approach reduces risk to LA NHS in terms of acquiring property, and allows the organization to collect brokerage fees. LA NHS also offers financial literacy classes to buyers, giving them the necessary skills to successfully navigate the homebuying process.

²⁰ When a homeowner defaults on a mortgage that is insured by the Federal Housing Authority (FHA), HUD pays the loan balance and obtains title to the home. Approximately 90 percent of these homes are then sold through a competitive bidding process to buyers. The highest reasonable bid is accepted with no particular consideration for affordable housing goals. The remaining properties are placed in the affordable housing resale programs described here.

²¹ “Real Estate Owned” homes are in the possession of a lender as a result of foreclosure or forfeiture.

In July, 2008, the U.S. Congress passed the Housing and Emergency Recovery Act, which includes a new Neighborhood Stabilization Program (NSP). This program provides emergency grants to state and local governments to acquire foreclosed properties to prevent blight, stabilize neighborhoods and stem the decline of house values of neighboring homes. A key new item from the workforce housing standpoint, is that the NSP program will allow stabilization programs targeting households up to 120 percent AMI (federal programs rarely target above 80 percent AMI).

For the Westside Study Area, the only automatic local government grantee is the City of Los Angeles, which will receive \$16.85 million for neighborhood stabilization purposes. The other cities, however, can submit applications to the statewide pool of grant money, totaling over \$145 million. The State of California's Department of Housing and Community Development (HDC) is currently holding statewide meetings to obtain input prior to formulating its grant program.

Evaluation for Westside

The primary issue facing the Westside Study Area related to foreclosure properties is the actual availability of these types of units, at prices that make sense for public sector intervention as an intermediary. Moreover, the State's process for granting its pool of funding is still evolving. This may pose an opportunity for the Westside, as it considers these issues related to workforce housing. A joint application may work well for the Westside incorporated cities, with an established record and the publication of this study as evidence of commitment to the process. However, the potential grant requirements, which may target distressed neighborhoods with concentrations of households living in poverty or a relatively high incidence of foreclosure, may preclude use of this funding source among Westside cities.

Recommendation: Formulate a Strategy To Facilitate Use of Foreclosure Units for Workforce Housing

This strategy will depend in part on the evolution of the State's implementation of HERA funding, as well as the availability of foreclosure units in the Westside.

Refine Transit Oriented Development Incentives for Westside

Overview

Many of the concepts presented throughout this Study can be targeted specifically to transit locations, as Westside cities refine their land use plans and projects in anticipation of new transit options. Further, it should be noted that the Southern California Association of Governments, through several aspects of its Compass Blueprint program, has put in place tools and processes to support local governments specifically on planning and implementing transit-oriented development (TOD) incorporating affordable and workforce housing. As cited in the Affordability Index Toolkit report, and summarized for convenience in Appendix D of this report, the region as a whole continues to consider both incentives and requirements for creating transit-oriented housing. These tools include location-specific density bonuses, relaxation of parking standards at transit stations, special funds to assist in underwriting affordability, and targeting of both public sector transportation and housing funds to the same locations. This process of convergence between land use policies and transportation funding, is further enhanced by SB 375, which is profiled in the Climate Change strategy section in this Study.

Evaluation for Westside

The creative refinement and use of tools for incorporating workforce housing into TOD projects will be more useful for those locations anticipating transit service over the coming decade. For example, Culver City is currently planning its TOD areas around the Expo Line station, but does not yet have an explicit inclusionary housing policy for workforce households. A combination of requiring a minimum amount of moderate income, coupled with attracting a private workforce funder and a creative partnership with one or more major employers (e.g. Sony, city workforce, etc.) to find higher tier workforce housing, could amplify the benefits for all parties. The presence of potential redevelopment agency funding for the first tier of workforce housing (up to 120 percent AMI) further enhances the potential to craft creative projects with positive outcomes for increased workforce housing supply, with excellent transit service. A successful project like this in Culver City could serve as a model for development near Expo Line stations in other Westside locations, and throughout the region. Similar efforts, coupled with more active affordable housing programs in place in Santa Monica, can also serve to enhance workforce housing in areas designated in the LUCE process.

For Beverly Hills and West Hollywood, which are not expecting light rail transit service in the coming decade, the refinement of TOD incentives may be less useful. However, numerous housing and transit planners in the region are looking closely at better linkages between affordable/workforce housing and bus service, which tends to create a framework of planning for this type of housing along major roadway corridors where bus service is frequent and extensive. In addition, the Red Line extension planning progresses for the Wilshire Boulevard alternative route alignment may offer additional opportunities to link housing and transit solutions together.

Recommendation: Craft a Tailored Strategy for Refined TOD/Workforce Housing in Each Westside City

Each jurisdiction will need to refine TOD tools and land use policies to fit its unique planning and political framework. The technical services provided by Compass Blueprint, along with ongoing local work in each jurisdiction, provide strong opportunities for these linkages.

Creatively Mix Incomes and Funding Sources

Overview

As several of the case studies of workforce housing projects illustrate (see Appendix F), an approach to addressing workforce housing is to consider it as a segment of a larger mix of incomes in a project. This Study seeks to segment three tiers of workforce housing, so that the reader can link the lowest tier, which overlaps with existing funding streams from redevelopment agencies and existing regulatory requirements from Housing Element/RHNA, to workforce housing needs. Higher tiers, from 120 to 180 percent AMI, have fewer existing funding options today, but numerous private, partnership, and other ventures are rapidly evolving to address this gap. As more funding sources and combinations of approaches evolve and are tested on the ground, the concept of mixing incomes (and even tenures) within a single project site will become more commonplace.

For example, the Working Artists Ventura project in Ventura (see Appendix F) combines luxury market rate ownership units with low income artist rental spaces, demonstrating that mixed-income projects, and even mixed tenure projects, are feasible. Other developers across the state and country have combined these concepts in many ways, including mixes of Low Income Housing Tax Credit units (up to 60 percent AMI rental), with 80 percent AMI rental units, and market rate rental units. There are examples in San Francisco of combining 100 percent inclusionary ownership unit obligations incurred through their off-site inclusionary option, with 120 percent redevelopment agency-funded moderate income for-sale units, and market rate for-sale units (a mixed income ownership project). A variant on this concept is to explore utilizing unencumbered redevelopment agency set-aside dollars, possibly along with other funding streams aimed at above 120 percent AMI, outside of redevelopment project areas within the same city. Moreover, this concept could be applied to pooling unencumbered redevelopment funds across city boundaries through a joint powers agreement.

Evaluation for Westside

These types of projects are complex, and demand experienced developers or strong partnerships between developers. However, through creatively mixing funding sources, project needs, and housing market segments, there are numerous possibilities present in the Westside. By exploring these opportunities, Westside cities can become innovators in building workforce housing while still preserving resources devoted to lower income households, reducing traffic congestion, and working towards maintaining a strong economy.

Recommendation: Develop Technical Expertise to Advise on Mixed Income, Mixed Finance Projects

This recommendation seeks to go beyond the current practice of individual cities' and individual developers/financiers own niches, to make technical expertise available to the Westside as a whole. One way to provide this technical expertise would be to jointly fund and manage an on-call contract for a team of consultant experts, who could advise each jurisdiction on specific projects as the need arises.

Additional Tools for Individual Jurisdiction Consideration

This section profiles additional strategies that have been used to develop affordable and workforce housing throughout California and the U.S. These approaches are provided to offer information to each city within the Westside. Due to their need to be tailored specifically to community needs, these strategies are not recommended for joint actions by the Westside COG or Westside Cities Working Group.

Streamlined Entitlement Processes

Overview

To help developers reduce costs, local government efforts to streamline the entitlement process can support housing development broadly, and affordable production more specifically. Some of these efforts can also help increase development certainty, further increasing production.

Examples of these strategies include:

- A catalog of pre-approved building plans
- “One-stop” entitlement shop that spans all departments overseeing development and permitting
- Pre-application consultation for developers
- Updated master CEQA documents at plan level to facilitate negative declarations
- Objective and clear design standards
- Allowing more entitlements to occur administratively

The City of Sacramento has developed a set of pre-approved single-family home prototypes to encourage the development of lots in established neighborhoods. The City estimates that this tool can save time in the entitlement process, and reduce design costs (e.g., pre-approved plans cost \$1,500, compared to \$5,000 to \$8,000 for

Pre-Fabricated or “Modular” Housing

Modular homes can play a vital role in workforce housing development. These homes offer lower-cost and higher quality construction, in addition to incorporating energy-efficiency in both the design, building materials, and overall development process. Technological improvements have made modular housing more appealing in recent years, offering attractive, flexible, and green designs. Moreover, a 2002 study by the Consumer Union shows that high-quality modular housing, if sold with the underlying land, appreciates at a comparable rate to other homes in the local market.²²

Unlike conventional “stick-built” homes, which are governed by local building codes, building standards for modular homes are



Prototype of pieceHomes modular unit. Venice, CA

²² *Appreciation in Manufactured Housing: A Fresh Look at the Debate and the Data.* Kevin Jewell, Consumers Union. February 2002.

established by the Department of Housing and Urban Development (HUD). The United States Congress established the HUD Code in the National Manufactured Housing Construction and Safety Standards Act of 1974, recognizing that the industry needed a uniform set of building standards because local codes varied significantly, and builders did not know where their units would be placed. The HUD Code specifies performance standards for heating, plumbing, air conditioning, thermal and electrical systems, fire safety, energy efficiency, structural soundness, construction, and transportation from the factory to the home site. Under the HUD Code, all modular homes must be inspected and approved by an independent third party inspector certified by HUD prior to shipping.

This high level of performance review often leads to more energy-efficient units. Interviews with modular home builders find that well-designed units typically experience less heat loss and are better insulated than conventional site-built homes. For example, PieceHomes, designed by Davis Studio in Venice, CA, offers modular units ranging from 320 to 1,825 square feet incorporating green materials, energy efficient technologies, and sustainable construction practices, and offer multiple color palettes. Units can also include solar panels, green roofs and low or no-VOC paints and finishes, and other green building amenities.

Further research is needed to determine how these types of construction approaches mesh with local building codes and other regulations. However, in general, it should be noted that these new advances in modular homes mean that the units are not at all like traditional manufactured housing or mobile homes, and have generally experienced little difficulty in being approved for use, once the specifications and construction techniques are reviewed by regulatory agencies.

Affordability by Design

“Affordability by Design” refers to a series of zoning and site design standards that regulate building form to promote the construction of affordable housing. These standards facilitate more efficient use of land, thereby lowering a development’s per unit costs without sacrificing construction or design quality. In addition, this approach facilitates a more walkable community, vital streetscape, and increased local economic development.

Although Affordability by Design concepts do not guarantee the provision of affordable housing, they do establish a regulatory environment wherein affordable units may occur.

Examples of an Affordability by Design approach include:

- Permitting of accessory dwelling units (ADUs) in single-family zones;
- Regulation of residential building density through height, bulk, and setback requirements, rather than units per acre; and
- Reduced parking requirements, particularly in higher density, pedestrian-oriented urban areas and locales near major transit

Portland, OR has a number of zoning standards and design guidelines that increase residential density in the City. The Alternative Design Density Overlay Zone (ADD) was created to increase the supply of housing in the city by encouraging higher density and higher quality design requirements. The ADD designation enables a developer to apply for a density bonus up to 50 percent in exchange for a higher standard of design review. The ADD designation also creates alternative development options for duplexes, triplexes, flag lots, and nonconforming multi-

nodes;

Reduced Parking Requirements

Redwood City, in San Mateo County, exemplifies the use of Affordability by Design concepts to promote housing development in its downtown. For example, in early 2006, the City Council approved a resolution that substantially reduced minimum parking requirements. Lower parking ratios support affordable housing production by limiting construction costs. Structured parking, commonly used in high-density environments, can cost up to \$35,000 per space, a significant share of total unit construction costs.

As illustrated below, parking minimums in Redwood City were reduced from 2.25 spaces per unit to between 0.25 and 1.5 spaces per unit, notably lower than requirements among Westside cities. Redwood City staff report that developers now generally provide 10 to 20 percent more parking spaces than required, a positive indicator that the minimum parking requirements are set at levels that allow for financially feasible and functionally marketable development.

Parking Minimums in Redwood City Downtown and Westside Cities

Unit Type	Redwood City		Beverly Hills	Santa Monica		Culver City	W. Hollywood
	Old	New		Apartment	Condo		
Studio	2.25 per unit	0.75 per unit	1 per unit	1 per unit	1.5 per unit	1 per unit	1 to 1.25 per unit
1-bedroom	2.25 per unit	1.0 per unit	2 per unit	1.5 per unit	2 per unit	2 per unit	1 to 1.75 per unit
2+ bedroom	2.25 per unit	1.5 per unit	2.5 to 4 per unit	2 per unit	3 per unit	Up to 3+1/BR	2 to 3.25 per unit

Source: Redwood City; City of Beverly Hills; City of Santa Monica; City of Culver City; City of West Hollywood; BAE, 2008.

Most of the jurisdictions in the Westside Study Area have far greater parking requirements than the example above, although several allow reductions in the case of density bonuses for affordable housing.

“Unbundled” Parking

Related to the concept of saving development costs through reduced parking, the concept of “unbundled” parking means that developers are allowed to relax requirements and offer parking as a separate item for purchase in a for-sale housing project. The buyer can then elect to purchase no spaces, or one space, or as many as desired tailored to that buyer’s household auto ownership. In locations with ample car-share programs, such as San Francisco, this process works to reduce demand for separately-priced garage spaces even further, as many buyers would rather not pay for garage spaces they do not need for cars not owned. Conversely, however, the resale value and marketability of the unit is preserved, in case the next owner wants garage spaces (which can meanwhile be rented to others seeking parking, including other occupants of the project or from the neighborhood).

Because the cost of a garage space in a densely developed urban housing project can range from \$15,000 to upwards of \$35,000 or more per space, this approach can potentially save the homebuyer \$70,000 or more, depending on the comparative example and its parking requirements.

Lease-Purchase Programs

Lease-purchase programs help buyers overcome the barriers of downpayment, closing costs, and/or any credit problems by allowing them to lease a home from a sponsoring organization. These households would otherwise be unable to secure a mortgage from a conventional lender.

Under a lease-purchase program, a sponsoring organization leases a home to a household, who is given the opportunity to assume the mortgage after a set period of time. During this time, the household can save for a downpayment and resolve credit issues. Monthly lease payments are somewhat higher rate than market rents, with the excess going into an escrow account and earning interest. At the end of the lease period, the lessee has the option to buy the home, with a portion of lease payments applied towards downpayment and closing costs on the unit. The lease period depends on the time the buyer needs to save for a downpayment or address any credit problems. This period can range from six months to 15 years.²³

Many banks offer mortgages to community organizations to buy existing homes to be included in a lease-purchase program, underwriting the loan in conformance with secondary market requirements (both Fannie Mae and Freddie Mac offer lease-purchase products). This model effectively transfers the risk of default from the mortgage lender to the sponsoring organization during the lease period. Therefore, as part of the underwriting process, banks assess an organization's ability to develop/rehabilitate, market, and maintain properties. Program participants benefit by having the opportunity to build or repair credit, while building equity in a home under favorable loan terms that the community organization has secured.

Lease-purchase programs can also apply to new housing. Affordable housing developers can build new units with typical affordable housing construction sources (e.g., LIHTCs, funds from local and state governments), and subsequently enter into a lease-purchase agreement with tenant/buyers.

The California Housing Opportunities Agency, based in San Bernardino County, purchases homes with favorable loan terms in partnership with CitiMortgage, then leases the properties to eligible households for 36 months. During this period, lease payments are used to pay down the mortgage. Following the lease period, the tenant can assume the mortgage from the Agency, with 36 months of amortization. Through this program, renters can repair their credit while building equity in a property. In addition, the lease payments are comparable to what the tenant would pay as a homeowner with 100 percent of the sales price and closing costs financed under the same favorable terms of the Agency's loan. This program is sponsored by the Cities of Rancho Cucamonga and Upland and the County of San Bernardino, and is available to

²³ *Alternative Financing Models Hybrids of Homeownership: Lease/Purchase Housing.* Enterprise Community Partners, Inc. 2007.

Mortgage Products

Offered by private lenders, local governments, state agencies, and other providers, affordable mortgage products help homebuyers finance the purchase of a home by assisting with downpayment or closing costs and/or lowering monthly payments. Although the range of public and nonprofit organizations, retail banks, and secondary market institutions that offer these types of assistance are too numerous to detail here, the following outlines examples of these products and how they are applied.

- **Silent Second Loans.** Many California local governments offer qualified first-time homebuyers a “soft” or “silent” second loan as downpayment assistance, closing costs, or for purchase and rehabilitation. These loans can draw on state programs or local funds, such as redevelopment set-aside dollars. For example, the City of Compton Redevelopment Agency offers households up to 120 percent of AMI a silent second mortgage of up to \$100,000 for downpayment and closing costs. The funds may be used to reduce the size of the mortgage, effectively making the home more affordable to buyers. For example, if the property sells for \$410,000 and the buyer qualifies for only \$310,000, \$90,000 of the \$100,000 subsidy may be used to reduce the mortgage, and up to \$10,000 may be used towards closing costs. The silent second loan is interest-free, does not require monthly payments, and is reduced by 10 percent annually after five years. The full loan amount is due upon the sale, refinancing, or transfer of the property, or if the property is no longer owner-occupied.
- **Low Downpayment Loans.** Low downpayment loans allow buyers to obtain a mortgage with a limited downpayment. FHA loans are the most well recognized example of this product. By insuring loans issued by private lenders against default, the FHA allows lenders to issue loans that might otherwise not meet conventional underwriting requirements. The FHA insurance allows for lower downpayments and more competitive interest rates. Examples of the FHA’s more widely applied programs include the Section 203(b) Mortgage Insurance program and the 203(k) program for purchase and rehabilitation. These and other programs can require a downpayment of five percent or less. CalHFA also offers loan products with low minimum downpayment requirements, which vary by program. Similarly, many homeowner assistance programs offered by local jurisdictions, including silent second loans have downpayment requirements as low as three percent.
- **Below-Market Interest Rates.** Various banks, private entities, and public agencies also assist low-income homebuyers through loan products featuring below-market interest rates. As an example, CalHFA’s Interest Only PLUS program is a 35-year conventional loan offering a below market fixed interest rate. Borrowers pay only the interest on the loan for the first five years, helping them save and earn more towards paying off the principal. Subsequently, borrowers pay the principal and interest at the same low interest rate for the remaining 30 years. This program is available to households with incomes exceeding 120 percent of AMI.
- **Location-Efficient Mortgages.** Location-efficient mortgages (LEMs) are designed to encourage homebuyer interest in dense urban neighborhoods with public transit access. With an LEM, participating lenders take into account a household’s projected savings that would arise from

using public transportation when underwriting the loan. Savings in Chicago, for example, can range from \$350 to \$650 per month.²⁴ These savings allow the lender to reconsider standard debt-to-income ratios and qualify households for a larger mortgage. In its pilot program, Fannie Mae has funded LEMs in four areas nationwide, including Los Angeles County, the San Francisco Bay Area, the City of Seattle, and the Chicago metropolitan area.

Homebuyer Counseling / Financial Literacy Training

Homebuyer education represents a key step to introducing households to the challenges, responsibilities, and benefits of homeownership. These programs help buyers evaluate their financial readiness, understand the home buying process, explore different financing options, access homebuyer assistance programs, resolve credit issues, and avoid predatory lending practices. Many education programs also address financial literacy more broadly, with home purchasing as just one component of the curriculum.

Traditionally, the public sector offers these programs to low income households seeking to build literacy and/or credit towards homeownership, with the banking industry focusing on higher income buyers. However, the recent subprime lending crisis underscored how improved financial literacy is needed across many income groups; this, this concept is offered as a tool to foster workforce housing as well.



Homebuyer Education graduates at New Economics for Women, Los Angeles

In California, multiple providers and paths to homebuyer education exist, including non-profit organizations, local governments, and lenders. Freddie Mac, Fannie Mae, FDIC, local non-profit organizations and public agencies promote and offer financial literacy programs. In addition to helping homebuyers become stronger candidates for homeownership, these programs market other affordable homeownership tools and subsidies, all benefiting the educated homebuyer.

Many lower-income households lack the credit history, or have credit problems impeding their ability to qualify for an affordable mortgage. Innovations in credit-building and credit-repair can therefore serve as a homeownership facilitation tool. As an example, Pay Rent Build Credit (PRBC), a private corporation, allows households to build credit through payments of utility bills, rent, insurance, and even daycare services. Like more traditional credit bureaus, PRBC collects, stores, scores and reports bill payment data for "permissible purposes" under the Fair Credit Reporting Act. The PRBC report can supplement reports from traditional credit bureaus, giving consumers a way to build a credit file without incurring additional debt.

²⁴ Shelterforce Online, National Housing Institute. <http://www.nhi.org/online/issues/103/lem.html>

Employer-Assisted Housing

Employer-assisted housing (EAH) refers to rental or homeownership programs that are financed or supported by an employer. These programs support employee recruitment and retention by helping workers rent or purchase a home in the area. Demand-side EAH benefits are often offered in “cafeteria-style” benefit plans, just like a 401k. EAH programs also include a supply-side strategies, where employers help finance the construction of a new housing development for employees. Demand-side EAH strategies, however, are more common.

Typically, larger employers sponsor EAH programs, as these employers have more resources and greater needs to recruit and retain employees. Target income groups are varied. Examples of demand-side EAH programs include:

- Loans or grants for downpayment or closing cost assistance;
- Mortgage guarantees;
- Silent second loans;
- Mortgage insurance assistance;
- Individual development accounts (IDAs);
- Interest rate buy-downs;
- Group mortgage origination; and
- Homebuyer counseling and education.

Alternatively, EAH dollars can be invested in third-party housing sources that would indirectly benefit employees and the community. For example, local employers have invested \$27 million in the Housing Trust of Santa Clara County, leveraging another \$1.2 billion. In turn, the Housing Trust funded homeless/special needs housing, multifamily rental developments, and first-time homebuyer assistance for very-low income families. These efforts benefit a broad population, from extremely low to moderate-income households.

EAH dollars can leverage other funds, a particularly useful strategy in high-priced markets. For example, municipal and state governments can match employer contributions to EAH programs. In 2007, the Nevada legislature allocated \$1.0 million to the Department of Business and Industry to provide grants for employers offering housing benefits. Maryland, Illinois, and the Cities of Baltimore and Philadelphia also offer matching EAH funds. As another example, Illinois’s Affordable Housing Tax Credit Program offers a \$0.50 tax credit on state tax liability for every \$1.00 that a business invests in EAH efforts. The credit is available for investments of cash, land, or property donated for the development of affordable housing.

Other standard sources of affordable housing funds have also been used to support EAH programs, including HOME funds, housing trust fund dollars, Community Development Block Grants, redevelopment agency set asides, affordable housing bonds, and private foundation support.

Limited-Equity Housing Cooperatives

In a housing cooperative (“co-op”), each resident-member purchases a share in the corporation that owns the building. Residents, therefore, do not own their respective units. As a particular subset of this model, limited equity co-ops (LEHCs) control the resale value of shares to ensure that the units remain affordable over time. The National Association of Housing Cooperatives reports that there are 400,000 units of LEHC housing in the U.S.. Although most co-operatives serve households below 80 percent AMI, some have applied this model to housing built for higher income groups (see sidebar).

LEHCs use a “blanket mortgage” to finance the purchase or development of the multi-unit property by the co-op corporation. Blanket mortgages may be obtained from conventional lenders, as well as specialized lenders such as the National Cooperative Bank. The mortgage is repaid through the individual members’ monthly payments. Many LEHCs require some form of (supply-side) subsidy to reduce the development, acquisition, and financing costs, thereby bringing down monthly charges for members. Cooperative financing for lower-income members may also be available in the form of “share loans.” Many of the homebuyer assistance programs discussed here, including CalHFA, HCD, and federal programs can be applied to the purchase of LEHC shares.

The Davis Area Cooperative Housing Association (DACHA) applies the co-op model to single-family homes that are developed through the City’s inclusionary housing program. DACHA acquires these units to help maintain long term affordability, and assists with ongoing monitoring and administration. These homes are made available to households up to 120 percent

Under California law, co-ops are a form of real estate subdivision, and are generally subject to the same local planning requirements (Subdivision Map Act) and the Department of Real Estate (DRE) disclosure requirements (Subdivided Lands Law) as condominiums. For LEHCs in particular, State law limits the increase in resale value of shares to 10 percent of the original sales price each year, though some co-ops set lower increases in their bylaws.²⁵ LEHCs typically sell memberships for five to ten percent of the market value of the individual units. The co-op generally acquires a loan for the balance, using one or more blanket loans secured by the building. A longitudinal study of the Dos Pinos Housing Cooperative in Davis, California, showed that members benefited from lower housing costs and experienced greater savings than generated by comparable apartment units in the city. Moreover, many members have successfully used the co-op as a stepping stone to unrestricted market rate homeownership.²⁶

²⁵ California Health and Safety Code 33007.5

²⁶ *Dos Pinos Housing Cooperative in Davis, California from 1986 to 2005: The Long-Term Value of Cooperative Homeownership Versus Rental*. David J. Thompson. National Association of Housing Cooperatives. Cooperative Housing Journal. 2004.

Appendix A: Study Area Census Tracts

Appendix A-1: Census Tracts for Study Area

Beverly Hills	Culver City	Santa Monica	West Hollywood	Westside Cities	Palms-Mar Vista-Del Rey	Venice	West Los Angeles	Westwood	Los Angeles Study Area	Westside Study Area
700600	702400	701201	700100	700100	269901	273100	267100	265100	265100	265100
700700	702501	701202	700200	700200	269902	273200	267200	265200	265200	265200
700800	702502	701301	700300	700300	270100	273300	267300	265301	265301	265301
700901	702600	701302	700400	700400	271200	273400	267401	265303	265303	265303
700902	702700	701400	700500	700500	271300	273500	267402	265304	265304	265304
701000	702801	701501		700600	271400	273600	267501	265305	265305	265305
	702802	701502		700700	271500	273700	267502	265420	265420	265420
	702803	701601		700800	271600	273800	267600	265510	265510	265510
	703001	701602		700901	271701	273900	267700	265520	265520	265520
		701701		700902	271702	274100	267800	265600	265600	265600
		701702		701000	271801	274200	267900	265700	265700	265700
		701801		701201	271802		269000		267100	267100
		701802		701202	271900		269100		267200	267200
		701900		701301	272100		269300		267300	267300
		702000		701302	272200		269500		267401	267401
		702100		701400	272301		269800		267402	267402
		702201		701501	272302		271100		267501	267501
		702202		701502	275100				267502	267502
		702300		701601	275200				267600	267600
				701602	275302				267700	267700
				701701	275311				267800	267800
				701702	275400				267900	267900
				701801	275510				269000	269000
				701802	275520				269100	269100
				701900	275601				269300	269300
				702000					269500	269500
				702100					269800	269800
				702201					269901	269901
				702202					269902	269902
				702300					270100	270100
				702400					271100	271100
				702501					271200	271200
				702502					271300	271300
				702600					271400	271400
				702700					271500	271500
				702801					271600	271600
				702802					271701	271701
				702803					271702	271702
				703001					271801	271801
									271802	271802
									271900	271900
									272100	272100
									272200	272200
									272301	272301
									272302	272302
									273100	273100
									273200	273200
									273300	273300
									273400	273400
									273500	273500
									273600	273600
									273700	273700
									273800	273800
									273900	273900
									274100	274100
									274200	274200
									275100	275100
									275200	275200
									275302	275302
									275311	275311
									275400	275400
									275510	275510
									275520	275520
									275601	275601
									700100	700100
									700200	700200
									700300	700300
									700400	700400
									700500	700500
									700600	700600
									700700	700700
									700800	700800
									700901	700901
									700902	700902
									701000	701000
									701201	701201
									701202	701202
									701301	701301
									701302	701302
									701400	701400
									701501	701501
									701502	701502
									701601	701601
									701602	701602
									701701	701701
									701702	701702
									701801	701801
									701802	701802
									701900	701900
									702000	702000
									702100	702100
									702201	702201
									702202	702202
									702300	702300
									702400	702400
									702501	702501
									702502	702502
									702600	702600
									702700	702700
									702801	702801
									702802	702802
									702803	702803
									703001	703001

Notes: Culver City Census Tract 703001 has one-half contained within the city boundaries. For this city, the entire tract will be included.

Census Tract 269901 was included by SCAG representatives in both the West Los Angeles Plan Area and the Palms-Mar Vista-Del Rey Plan Area. For the purposes of this study, it will be included in Palms-Mar Vista-Del Rey and not West Los Angeles.

Appendix B: Data Tables

Table B-1: Population and Household Growth, 2000 - 2007

	Change 2000 - 2007				Change 2000 - 2007				
	2000	2007	Number	Percent	2000	2007	Number	Percent	
	BEVERLY HILLS (a)				PALMS-MAR VISTA-DEL REY (b)				
Population	33,784	36,084	2,300	6.8%	102,800	111,646	8,846	8.6%	
Households	15,035	15,276	241	1.6%	45,643	49,356	3,713	8.1%	
Household Size	2.24	2.36			2.24	2.26			
Ownership (d)									
Owner	43.4%	43.5%		0.2%	30.9%	31.3%		1.2%	
Renter	56.6%	56.5%		-0.2%	69.1%	68.7%		-0.5%	
CULVER CITY (a)					VENICE (b)				
Population	38,816	40,792	1,976	5.1%	37,758	38,263	505	1.3%	
Households	16,611	16,616	5	0.0%	19,317	19,793	476	2.5%	
Household Size	2.31	2.42			1.93	1.91			
Ownership (d)									
Owner	54.4%	54.1%		-0.5%	31.2%	31.0%		-0.5%	
Renter	45.6%	45.9%		0.6%	68.8%	69.0%		0.2%	
SANTA MONICA (a)					WEST LOS ANGELES (b)				
Population	84,084	91,124	7,040	8.4%	79,899	82,966	3,067	3.8%	
Households	44,497	45,934	1,437	3.2%	39,338	40,607	1,269	3.2%	
Household Size	1.83	1.93			2.01	2.02			
Ownership (d)									
Owner	29.8%	29.5%		-1.2%	34.4%	33.7%		-1.9%	
Renter	70.2%	70.5%		0.5%	65.6%	66.3%		1.0%	
WEST HOLLYWOOD (a)					WESTWOOD (b)				
Population	35,794	37,653	1,859	5.2%	47,844	51,971	4,127	8.6%	
Households	23,172	23,450	278	1.2%	18,592	20,662	2,070	11.1%	
Household Size	1.54	1.60			1.98	1.98			
Ownership (d)									
Owner	21.6%	21.1%		-1.9%	35.9%	35.2%		-2.1%	
Renter	78.4%	78.9%		0.5%	64.1%	64.8%		1.2%	
WESTSIDE CITIES (a)					LOS ANGELES CITY SUB-AREA (b)				
Population	192,478	205,653	13,175	6.8%	268,301	284,846	16,545	6.2%	
Households	99,315	101,276	1,961	2.0%	122,890	130,418	7,528	6.1%	
Household Size	1.90	2.00			2.08	2.09			
Ownership (d)									
Owner	34.1%	33.7%		-1.2%	32.8%	32.6%		-0.6%	
Renter	65.9%	66.3%		0.6%	67.2%	67.4%		0.3%	
TOTAL WESTSIDE STUDY AREA (c)					STATE OF CALIFORNIA				
Population	460,779	490,499	29,720	6.4%	33,873,086	37,662,518	3,789,432	11.2%	
Households	222,205	231,694	9,489	4.3%	11,502,871	12,524,401	1,021,530	8.9%	
Household Size	2.00	2.05			2.87	2.94			
Ownership (d)									
Owner	33.4%	33.1%		-0.9%	56.9%	57.5%		1.1%	
Renter	66.6%	66.9%		0.4%	43.1%	42.5%		-1.4%	

Notes:

- The Westside Cities include the cities of Beverly Hills, Culver City, Santa Monica, and West Hollywood. Data for contributing Westside Cities and the State of California was provided by the California Department of Finance E-5 and E-8 tables.
- The Los Angeles City Sub-Area includes the Palms-Mar Vista-Del Rey, Venice, West Los Angeles, and Westwood Plan Areas. Data for LA Plan Areas from Claritas. For a list of contributing Census Tracts to each Plan Area refer to Appendix A. Data shown differs slightly from City of Los Angeles estimates for same Plan Areas.
- The Westside Study Area includes the cities of Beverly Hills, Culver City, Santa Monica, and West Hollywood as well as the City of Los Angeles Plan Areas: Palms-Mar Vista-Del Rey, Venice, West Los Angeles, and Westwood.
- Ownership estimate provided by Claritas for all geographies.

Sources: CA Department of Finance (DOF) E-5, 2007; Claritas, 2007; BAE, 2008.

Table B-2: Jobs-to-Employed Residents Ratios, 2000 (a)

	Jobs	Employed Residents	Ratio
Westside Cities	207,150	103,085	2.0
Beverly Hills	50,385	15,675	3.2
Culver City	40,880	19,835	2.1
Santa Monica	88,520	45,935	1.9
West Hollywood	27,365	21,640	1.3
Los Angeles City Sub-Area	192,880	142,820	1.4
Palms-Mar Vista-Del Rey	29,545	57,390	0.5
Venice	14,070	22,415	0.6
West Los Angeles	90,500	39,450	2.3
Westwood	58,765	23,565	2.5
Study Area	400,030	245,905	1.6
State of California	14,506,500	14,524,915	1.0

(a) All workers, including those working at home. Totals may vary from other sources due to sampling issues and rounding to preserve confidentiality.

Source: Census Transportation Planning Package Tables
1-001 and 2-001, 2000; BAE, 2008.

Table B-3: Commute Flows, 2000 (a) (b)(c)

WORKERS PLACE OF RESIDENCE			RESIDENTS PLACE OF WORK		
BEVERLY HILLS WORKERS LIVE IN...	Number	Percent	BEVERLY HILLS RIDENTS WORK IN....	Number	Percent
Beverly Hills	4,115	8.2%	Beverly Hills	4,115	26.3%
Los Angeles	29,805	59.2%	Los Angeles	7,480	47.8%
Los Angeles City Sub-Area	5,845	11.6%	Los Angeles City Sub-Area	2,103	13.5%
West Hollywood	1,515	3.0%	Santa Monica	660	4.2%
Santa Monica	1,200	2.4%	West Hollywood	505	3.2%
Glendale	640	1.3%	Culver City	340	2.2%
Culver City	540	1.1%	Burbank	240	1.5%
Burbank	535	1.1%	Long Beach	175	1.1%
Inglewood	485	1.0%	Elsewhere in California	1,949	12.5%
Long Beach	480	1.0%	Outside of California	171	1.1%
Elsewhere in California	10,812	21.5%	TOTAL	15,635	100.0%
Outside of California	206	0.4%			
TOTAL	50,333	100.0%			
Workers Commuting In	46,218	91.8%	Residents Commuting Out	11,520	73.7%
CULVER CITY WORKERS LIVE IN...			CULVER CITY L RESIDENTS WORK IN...		
Culver City	3,415	8.4%	Culver City	3,415	17.2%
Los Angeles	20,160	49.4%	Los Angeles	9,275	46.8%
Los Angeles City Sub-Area	5,269	10.5%	Los Angeles City Sub-Area	3,533	17.8%
Inglewood	1,425	3.5%	Inglewood	215	1.1%
Santa Monica	1,005	2.5%	Santa Monica	1,615	8.1%
Long Beach	810	2.0%	Beverly Hills	540	2.7%
Redondo Beach	610	1.5%	El Segundo	390	2.0%
Torrance	600	1.5%	Torrance	385	1.9%
Hawthorne	575	1.4%	West Hollywood	205	1.0%
Burbank	495	1.2%	Burbank	190	1.0%
West Hollywood	440	1.1%	Elsewhere in California	3,464	17.5%
Glendale	415	1.0%	Outside of California	144	0.7%
Elsewhere in California	10,749	26.3%	TOTAL	19,838	100.0%
Outside of California	151	0.4%			
TOTAL	40,850	100.0%	Residents Commuting Out	16,423	82.8%
Workers Commuting In	37,435	91.6%			
SANTA MONICA WORKERS LIVE IN...			SANTA MONICA RESIDENTS WORK IN...		
Santa Monica	14,790	16.7%	Santa Monica	14,790	32.2%
Los Angeles	44,735	50.5%	Los Angeles	19,610	42.7%
Los Angeles City Sub-Area	14,807	29.4%	Los Angeles City Sub-Area	7,932	17.3%
Culver City	1,615	1.8%	Culver City	1,005	2.2%
Inglewood	1,495	1.7%	Burbank	800	1.7%
Long Beach	1,060	1.2%	Beverly Hills	1,200	2.6%
West Hollywood	985	1.1%	West Hollywood	505	1.1%
Elsewhere in California	23,478	26.5%	El Segundo	630	1.4%
Outside of California	357	0.4%	Elsewhere in California	6,936	15.1%
TOTAL	88,515	100.0%	Outside of California	409	0.9%
Workers Commuting In	73,725	83.3%	TOTAL	45,885	100.0%
			Residents Commuting Out	31,095	67.8%
WEST HOLLYWOOD WORKERS LIVE IN...			WEST HOLLYWOOD RESIDENTS WORK IN....		
West Hollywood	3,985	14.6%	West Hollywood	3,985	18.4%
Los Angeles	15,215	55.7%	Los Angeles	10,745	49.7%
Los Angeles City Sub-Area	1,860	3.7%	Los Angeles City Sub-Area	2,300	10.6%
Glendale	510	1.9%	Glendale	315	1.5%
Beverly Hills	505	1.8%	Beverly Hills	1,515	7.0%
Santa Monica	505	1.8%	Santa Monica	985	4.6%
Burbank	335	1.2%	Burbank	495	2.3%
Elsewhere in California	6,178	22.6%	Culver City	440	2.0%
Outside of California	107	0.4%	El Segundo	215	1.0%
TOTAL	27,340	100.0%	Elsewhere in California	2,727	12.6%
Workers Commuting In	23,355	85.4%	Outside of California	200	0.9%
			TOTAL	21,622	100.0%
			Residents Commuting Out	17,637	81.6%

Table B-3: Commute Flows, 2000 (a) (b)(c)

WORKERS PLACE OF RESIDENCE			RESIDENTS PLACE OF WORK		
TOTAL - WESTSIDE CITIES WORKERS LIVE IN....			TOTAL - WESTSIDE RESIDENTS WORK IN....		
Westside Cities	35,820	17.3%	Westside Cities	35,820	34.8%
Los Angeles	109,915	53.1%	Los Angeles	47,110	45.7%
Los Angeles City Sub-Area	27,781	13.4%	Los Angeles City Sub-Area	15,868	15.4%
Inglewood	3,585	1.7%	Burbank	1,725	1.7%
Long Beach	2,600	1.3%	El Segundo	1,300	1.3%
Glendale	2,345	1.1%			
Elsewhere in California	51,952	25.1%	Elsewhere in California	16,101	15.6%
Outside of California	821	0.4%	Outside of California	924	0.9%
TOTAL	207,038	100.0%	TOTAL	102,980	100.0%
Workers Commuting In	171,218	82.7%	Residents Commuting Out	67,160	65.2%

LOS ANGELES CITY SUB-AREA WORKERS LIVE IN...			LOS ANGELES CITY SUB-AREA RESIDENTS WORK IN...		
Los Angeles City Sub-Area	49,203	26.1%	Los Angeles City Sub-Area	49,203	35.2%
Palms-Mar Vista-Del Rey	17,358	9.2%	Palms-Mar Vista-Del Rey	9,069	6.5%
Venice	7,095	3.8%	Venice	5,424	3.9%
West Los Angeles	12,992	6.9%	West Los Angeles	17,189	12.3%
Westwood	11,758	6.2%	Westwood	17,521	12.5%
Westside Cities (d)	15,868	8.4%	Westside Cities (d)	27,781	19.9%
Elsewhere in Los Angeles Co.	114,252	60.6%	Elsewhere in Los Angeles Co.	59,314	42.4%
Elsewhere in California	8,545	4.5%	Elsewhere in California	2,818	2.0%
Outside of California	812	0.4%	Outside of California	823	0.6%
TOTAL	188,680	100.0%	TOTAL	139,939	100.0%
Workers Commuting In	139,477	73.9%	Residents Commuting Out	90,736	64.8%

(a) All workers, including those working at home. Counts may vary from other sources due to sampling/rounding to preserve confidentiality.

(b) All places showing 1.0% or more workers commuting into geography, except for LA City Subareas.

(c) All places showing 1.0% or more workers commuting from geography, except for LA City Subareas.

(d) The Westside Cities include the cities of Beverly Hills, Culver City, Santa Monica, and West Hollywood.

Source: Census Transportation Planning Package Tables 3-001 and 3-006, 2000; BAE, 2008.

Table B-4: Summary of Employment by Industry, Westside Cities (a)*2nd Quarter 2006 and 2007*

Industry	WESTSIDE CITIES (c)					
	Q2 2006	Q2 2007	Q2 2006	Q2 2007	Change '06 - '07	
	Number	Number	% of Total	% of Total	Number	Percent
Agriculture, Forestry, Fishing, & Hunting	(b)	(b)	NA	NA	NA	NA
Utilities	(b)	(b)	NA	NA	NA	NA
Mining	(b)	(b)	NA	NA	NA	NA
Non-Classified	(b)	(b)	NA	NA	NA	NA
Federal Government	(b)	(b)	NA	NA	NA	NA
State Government	(b)	(b)	NA	NA	NA	NA
Local Government	(b)	(b)	NA	NA	NA	NA
Accommodation & Food Services	27,727	28,066	14.8%	14.7%	339	1.2%
Retail Trade	27,767	27,337	14.9%	14.3%	-430	-1.5%
Professional, Scientific, & Technical Skills	20,104	21,445	10.8%	11.2%	1,340	6.7%
Health Care & Social Assistance	18,745	19,328	10.0%	10.1%	583	3.1%
Information	11,178	12,431	6.0%	6.5%	1,253	11.2%
Administration & Support Services	12,029	12,352	6.4%	6.5%	324	2.7%
Other Services	9,146	9,042	4.9%	4.7%	-104	-1.1%
Real Estate, Rental, & Leasing	7,978	8,063	4.3%	4.2%	85	1.1%
Finance & Insurance	7,708	8,041	4.1%	4.2%	332	4.3%
Arts, Entertainment, & Recreation	7,488	7,752	4.0%	4.1%	264	3.5%
Wholesale Trade	6,798	6,865	3.6%	3.6%	67	1.0%
Construction	4,931	5,167	2.6%	2.7%	236	4.8%
Educational Services	4,138	4,312	2.2%	2.3%	175	4.2%
Manufacturing	4,493	4,174	2.4%	2.2%	-319	-7.1%
Management of Companies & Enterprises	2,330	2,298	1.2%	1.2%	-32	-1.4%
Transportation & Warehousing	2,107	2,199	1.1%	1.2%	92	4.3%
Total (Including Undisclosed)	186,729	191,180	100.0%	100.0%	4,452	2.4%

Notes:

(a) Figures represent average monthly employment for the second quarter of 2006 and 2007.

(b) Undisclosed due to data suppression rules for one or more of the cities.

(c) Geographies are defined by United States postal code. Beverly Hills: 90210, 90211, 90212; Culver City: 90230, 90232; Santa Monica: 90401, 90402, 90403, 90404, 90405; and West Hollywood: 90046, 90069

Sources: CA Employment Development Department, 2008; BAE, 2008.

Table B-5: Largest Employers, Westside Study Area, 2008

Rank	Name	Industry	Employees	Interviewed
Beverly Hills				
1	City of Beverly Hills	Local Government	1,042	Yes
2	Fox Interactive Media	Entertainment	1,000	
3	Beverly Hills Unified School District	School District	642	Yes
4	Regent Beverly Wilshire Hotel	Lodging	700	
5	Beverly Hilton Hotel	Lodging	599	
6	Beverly Hills Hotel	Lodging	500	
7	William Morris Agency, Inc.	Professional Services	500	
8	Saks Fifth Avenue	Retail	460	
9	Neiman Marcus Group, Inc.	Retail	450	
10	Peninsula Beverly Hills Hotel	Lodging	400	
Culver City				
1	Sony Pictures Entertainment	Entertainment	2,000	Yes
2	Fox Hills Mall	Retail	1,500	
3	Brotman Medical Center	Health Care	900	Yes
4	Symantec	Technology	800	
5	City of Culver City	Local Government	675	Yes
6	Metric Products	Apparel Manufacturing	650	
7	Culver City Unified School District	School District	575	Yes
8	Kaiser Permanente	Health Care	275	
9	West L.A. College	Higher Education	250	
10	Radisson Hotel	Lodging	170	
Santa Monica				
1	Santa Monica College	Higher Education	2,357	Yes
2	City of Santa Monica	Local Government	2,146	Yes
3	Santa Monica-Malibu Unified School District	School District	1,650	Yes
4	Saint John's Hospital Medical Center	Health Care	1,422	Yes
5	Santa Monica-UCLA Hospital	Health Care	1,300	Yes
6	MTV Networks	Entertainment	1,060	
7	RAND Corporation	Professional Services	862	
8	Activision	Entertainment	800	
9	ET Whitehall	Lodging	750	
10	Shutters Hotel	Lodging	200	
West Hollywood				
1	Interactive Corp (Ticketmaster)	Entertainment	1,300	
2	Target Corp.	Retail	411	Yes
3	Mondrian Holdings LLC	Lodging	400	
4	Wyndham Bel Age Hotel, LP	Lodging	230	
5	Dailey & Associates	Professional Services	209	
6	City of West Hollywood	Local Government	200	Yes
7	Hollywood Standard LLC	Lodging	189	
8	Hyatt Corp	Lodging	165	
9	House of Blues Concerts Inc.	Entertainment	150	
10	HMBL LLC (Best Western Sunset Plaza)	Lodging	125	
Los Angeles Sub-Areas				
1	UCLA	Higher Education	~ 21,000	Yes
2	Kaiser Foundation Hospital	Health Care	4,001	
3	Capital Group Co, Inc.	Finance	900	
4	Century Plaza Hotel and Spa	Lodging	800	
5	William O'Neil and Company	Finance	800	
6	AIG Sun America, Inc.	Finance	600	
7	Breeze	Lodging	600	
8	Cannon Design	Architecture/Engineering	550	Yes
9	Occidental Petroleum Group	Petroleum	550	
10	Mitchell Silberberg & Knupp	Professional Services	500	
Sources: City of Beverly Hills; Culver City; Santa Monica; West Hollywood; Los Angeles; BAE 2008.				

Table B-6: Household Incomes of Workers and Employed Residents, 2000

		Beverly Hills				Culver City				Santa Monica				West Hollywood			
		Workers		Emp Residents		Workers		Emp Residents		Workers		Emp Residents		Workers		Emp Residents	
2000	Inflated to 2007	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Household Income (a)	Household Income																
Less than \$10,000	Less than \$13,084	1,372	2.7%	450	2.9%	1,148	2.8%	405	2.0%	3,049	3.5%	1,490	3.3%	828	3.0%	885	4.1%
\$10,000 - \$19,999	\$13,085 - \$26,168	3,206	6.4%	525	3.4%	2,665	6.5%	880	4.4%	5,645	6.4%	2,610	5.7%	2,206	8.1%	1,535	7.1%
\$20,000 - \$29,999	\$26,170 - \$39,253	4,954	9.9%	775	5.0%	3,509	8.6%	1,185	6.0%	7,729	8.8%	3,290	7.2%	2,848	10.4%	2,405	11.1%
\$30,000 - \$39,999	\$39,254 - \$52,338	5,119	10.2%	1,005	6.4%	4,121	10.1%	2,030	10.2%	9,099	10.3%	4,195	9.2%	3,029	11.1%	2,580	12.0%
\$40,000 - \$49,999	\$52,339 - \$65,423	4,475	8.9%	1,030	6.6%	3,926	9.6%	2,175	11.0%	7,984	9.1%	3,970	8.7%	2,718	10.0%	2,290	10.6%
\$50,000 - \$59,999	\$65,424 - \$78,507	4,273	8.5%	1,010	6.5%	3,950	9.7%	2,130	10.7%	8,165	9.3%	3,805	8.3%	2,525	9.3%	2,330	10.8%
\$60,000 - \$74,999	\$78,509 - \$98,134	5,650	11.3%	1,390	8.9%	4,569	11.2%	2,570	13.0%	10,035	11.4%	4,940	10.8%	3,064	11.2%	2,425	11.2%
\$75,000 - \$99,999	\$98,136 - \$130,846	6,595	13.1%	2,005	12.8%	6,045	14.8%	3,255	16.4%	11,890	13.5%	6,110	13.4%	3,265	12.0%	2,810	13.0%
\$100,000 - \$124,999	\$130,848 - \$163,558	3,774	7.5%	1,300	8.3%	4,290	10.5%	2,045	10.3%	8,008	9.1%	4,520	9.9%	2,293	8.4%	1,425	6.6%
\$125,000 - \$149,999	\$163,560 - \$196,270	2,894	5.8%	975	6.2%	2,159	5.3%	1,390	7.0%	4,630	5.2%	2,710	5.9%	1,359	5.0%	780	3.6%
\$150,000 or more	\$196,272 or more	7,904	15.7%	5,190	33.2%	4,400	10.8%	1,775	8.9%	11,975	13.6%	8,120	17.7%	3,134	11.5%	2,120	9.8%
	Total	50,216	100.0%	15,655	100%	40,782	100%	19,840	100%	88,209	100%	45,760	100%	27,269	100%	21,585	100%

		Westside Cities (b)				Los Angeles Sub-Area (b)		Total for Area		Study	
		Workers		Emp Residents		Workers		Workers			
2000	Inflated to 2007	Number	Percent	Number	Percent	Number	Percent	Number	Percent		
Household Income (a)	Household Income										
Less than \$10,000	Less than \$13,084	6,397	3.1%	3,230	3.1%	6,217	3.3%	12,614	3.2%		
\$10,000 - \$19,999	\$13,085 - \$26,168	13,722	6.6%	5,550	5.4%	11,909	6.3%	25,631	6.5%		
\$20,000 - \$29,999	\$26,170 - \$39,253	19,040	9.2%	7,655	7.4%	16,138	8.5%	35,178	8.9%		
\$30,000 - \$39,999	\$39,254 - \$52,338	21,368	10.3%	9,810	9.5%	18,487	9.8%	39,855	10.1%		
\$40,000 - \$49,999	\$52,339 - \$65,423	19,103	9.3%	9,465	9.2%	17,237	9.1%	36,340	9.2%		
\$50,000 - \$59,999	\$65,424 - \$78,507	18,913	9.2%	9,275	9.0%	16,229	8.6%	35,142	8.9%		
\$60,000 - \$74,999	\$78,509 - \$98,134	23,318	11.3%	11,325	11.0%	22,165	11.7%	45,483	11.5%		
\$75,000 - \$99,999	\$98,136 - \$130,846	27,795	13.5%	14,180	13.8%	26,210	13.9%	54,005	13.7%		
\$100,000 - \$124,999	\$130,848 - \$163,558	18,365	8.9%	9,290	9.0%	16,949	9.0%	35,314	8.9%		
\$125,000 - \$149,999	\$163,560 - \$196,270	11,042	5.3%	5,855	5.7%	10,069	5.3%	21,111	5.3%		
\$150,000 or more	\$196,272 or more	27,413	13.3%	17,205	16.7%	27,214	14.4%	54,627	13.8%		
	Total	206,476	100%	102,840	100%	188,824	100%	395,300	100%		

Notes:

(a) 2000 data is from Census (which represents 1999 incomes). 2007 income ranges represent 1999 dollars inflated using the Consumer Price Index for Los Angeles-Riverside-Orange County

(b) The Westside Cities include Beverly Hills, Culver City, Santa Monica, and West Hollywood. Los Angeles Subareas include Community Plan Areas of Palms-Mar Vista-Del Rey, West LA, Westwood, and Venice.

Sources: Census Transportation Planning Package Tables 1-030 and 2-030, 2000; BAE, 2008.

Table B-7: Maximum Sale Price Calculation Detail

Income Category	Household Income Limit (a)	Maximum Sale Price	Down Payment (b)	Total Mortgage	Monthly Payment	Monthly Property Tax (c)	Mortgage Insurance (d)	Homeowner's Insurance (e)	Total Monthly PITI (f)
1-Person Household									
30% AMI - Extremely Low	\$15,550	\$64,294	\$12,859	\$51,436	\$308.38	\$64.29	\$0.00	\$16.07	\$388.75
50% AMI - Very Low	\$25,900	\$107,088	\$21,418	\$85,671	\$513.64	\$107.09	\$0.00	\$26.77	\$647.50
80% AMI - Lower	\$41,450	\$171,383	\$34,277	\$137,106	\$822.02	\$171.38	\$0.00	\$42.85	\$1,036.25
100% AMI - Median	\$39,600	\$163,734	\$32,747	\$130,987	\$785.33	\$163.73	\$0.00	\$40.93	\$990.00
120% AMI - Workforce Tier 1	\$47,500	\$196,398	\$39,280	\$157,118	\$942.00	\$196.40	\$0.00	\$49.10	\$1,187.50
150% AMI - Workforce Tier 2	\$59,400	\$245,601	\$49,120	\$196,480	\$1,178.00	\$245.60	\$0.00	\$61.40	\$1,485.00
180% AMI - Workforce Tier 3	\$71,280	\$294,721	\$58,944	\$235,776	\$1,413.60	\$294.72	\$0.00	\$73.68	\$1,782.00
2-Person Household									
30% AMI - Extremely Low	\$17,750	\$73,391	\$14,678	\$58,713	\$352.01	\$73.39	\$0.00	\$18.35	\$443.75
50% AMI - Very Low	\$29,600	\$122,387	\$24,477	\$97,909	\$587.02	\$122.39	\$0.00	\$30.60	\$740.00
80% AMI - Lower	\$47,350	\$195,778	\$39,156	\$156,622	\$939.03	\$195.78	\$0.00	\$48.94	\$1,183.75
100% AMI - Median	\$45,200	\$186,888	\$37,378	\$149,510	\$896.39	\$186.89	\$0.00	\$46.72	\$1,130.00
120% AMI - Workforce Tier 1	\$54,200	\$224,100	\$44,820	\$179,280	\$1,074.87	\$224.10	\$0.00	\$56.03	\$1,355.00
150% AMI - Workforce Tier 2	\$67,800	\$280,332	\$56,066	\$224,266	\$1,344.59	\$280.33	\$0.00	\$70.08	\$1,695.00
180% AMI - Workforce Tier 3	\$81,360	\$336,398	\$67,280	\$269,119	\$1,613.50	\$336.40	\$0.00	\$84.10	\$2,034.00
3-Person Household									
30% AMI - Extremely Low	\$20,000	\$82,694	\$16,539	\$66,155	\$396.63	\$82.69	\$0.00	\$20.67	\$500.00
50% AMI - Very Low	\$33,300	\$137,685	\$27,537	\$110,148	\$660.39	\$137.69	\$0.00	\$34.42	\$832.50
80% AMI - Lower	\$53,300	\$220,379	\$44,076	\$176,303	\$1,057.03	\$220.38	\$0.00	\$55.09	\$1,332.50
100% AMI - Median	\$50,900	\$210,456	\$42,091	\$168,365	\$1,009.43	\$210.46	\$0.00	\$52.61	\$1,272.50
120% AMI - Workforce Tier 1	\$61,000	\$252,216	\$50,443	\$201,773	\$1,209.73	\$252.22	\$0.00	\$63.05	\$1,525.00
150% AMI - Workforce Tier 2	\$76,400	\$315,890	\$63,178	\$252,712	\$1,515.14	\$315.89	\$0.00	\$78.97	\$1,910.00
180% AMI - Workforce Tier 3	\$91,620	\$378,820	\$75,764	\$303,056	\$1,816.97	\$378.82	\$0.00	\$94.71	\$2,290.50
4-Person Household									
30% AMI - Extremely Low	\$22,200	\$91,790	\$18,358	\$73,432	\$440.26	\$91.79	\$0.00	\$22.95	\$555.00
50% AMI - Very Low	\$37,000	\$152,983	\$30,597	\$122,387	\$733.77	\$152.98	\$0.00	\$38.25	\$925.00
80% AMI - Lower	\$59,200	\$244,774	\$48,955	\$195,819	\$1,174.03	\$244.77	\$0.00	\$61.19	\$1,480.00
100% AMI - Median	\$56,500	\$233,610	\$46,722	\$186,888	\$1,120.49	\$233.61	\$0.00	\$58.40	\$1,412.50
120% AMI - Workforce Tier 1	\$67,800	\$280,332	\$56,066	\$224,266	\$1,344.59	\$280.33	\$0.00	\$70.08	\$1,695.00
150% AMI - Workforce Tier 2	\$84,800	\$350,622	\$70,124	\$280,497	\$1,681.72	\$350.62	\$0.00	\$87.66	\$2,120.00
180% AMI - Workforce Tier 3	\$101,700	\$420,498	\$84,100	\$336,398	\$2,016.88	\$420.50	\$0.00	\$105.12	\$2,542.50

Notes:

Homeowners association (HOA) fees not included in this table, due to the generalized nature of this study across different housing types (e.g., single family multifamily units). Also, each city will calculate its maximum sale price slightly differently, depending on established program parameters.

(a) Published by CA Department of Housing and Community Development.

(b) Mortgage terms:

Annual Percentage Rate	6.00%
Term of mortgage (years)	30
Percent of sale price as down payment	20.0%

(c) Initial property tax (annual)

1.20%

Calculated based on sample property in Santa Monica at 1850 Euclid Street with an assessed value of \$867,000 and annual taxes totaling \$10,425.

(d) Monthly mortgage insurance as percent of loan amount

0.00%

(e) Annual homeowner's insurance rate as percent of sale price

0.30%

(f) PITI = Principal, Interest, Taxes, and Insurance

Percent of household income available for PITI

30.0%

(g) The 80% AMI is higher than 100% AMI for Los Angeles County due to anomaly of federal gov't factors used.

Sources: California Department of Housing and Community Development, 2007; BAE 2008.

Table B-8: Estimated Range of Number of Worker Households in Study Area, 2007

Westside Cities

If all worker households were one-person, the following would be the estimated number of worker households in each income category:

Income Category (a)	2007 Income	Maximum	Beverly Hills		Culver City		Santa Monica		West Hollywood		Westside Cities	
	Limits	Price (d)	#	%	#	%	#	%	#	%	#	%
1-Person Household												
Under 30% AMI	\$15,550	\$64,294	1,976	3.9%	1,650	4.0%	4,113	4.7%	1,244	4.6%	8,983	4.4%
31%-50% AMI	\$25,900	\$107,088	2,536	5.1%	2,108	5.2%	4,466	5.1%	1,745	6.4%	10,855	5.3%
51%-80% AMI	\$41,450	\$171,383	5,879	11.7%	4,255	10.4%	9,372	10.6%	3,402	12.5%	22,907	11.1%
81%-120% AMI	\$47,500	\$196,398	2,367	4.7%	1,906	4.7%	4,208	4.8%	1,401	5.1%	9,881	4.8%
121-150% AMI - Workforce (b)	\$59,400	\$245,601	4,308	8.6%	3,643	8.9%	7,673	8.7%	2,587	9.5%	18,211	8.8%
151%-180% AMI Workforce II (c)	\$71,280	\$294,721	3,973	7.9%	3,575	8.8%	7,330	8.3%	2,381	8.7%	17,259	8.4%
181% AMI or more	N/A	N/A	29,177	58.1%	23,645	58.0%	51,048	57.9%	14,510	53.2%	118,381	57.3%
Total			50,216	100.0%	40,782	100.0%	88,209	100.0%	27,269	100.0%	206,476	100.0%

If all worker households were four-person, the following would be the estimated number of worker households in each income category

4-Person Household												
Under 30% AMI	\$22,200	\$91,790	3,606	7.2%	3,005	7.4%	6,982	7.9%	2,365	8.7%	15,957	7.7%
31%-50% AMI	\$37,000	\$152,983	5,073	10.1%	3,713	9.1%	8,110	9.2%	3,027	11.1%	19,923	9.6%
51%-80% AMI	\$59,200	\$244,774	8,319	16.6%	6,784	16.6%	14,617	16.6%	4,945	18.1%	34,664	16.8%
81%-120% AMI	\$67,800	\$280,332	2,904	5.8%	2,585	6.3%	5,280	6.0%	1,751	6.4%	12,520	6.1%
121-150% AMI - Workforce (b)	\$84,800	\$350,622	5,308	10.6%	4,697	11.5%	9,899	11.2%	3,049	11.2%	22,953	11.1%
151%-180% AMI Workforce II (c)	\$101,700	\$420,498	4,557	9.1%	3,763	9.2%	8,114	9.2%	2,438	8.9%	18,872	9.1%
181% AMI or more	N/A	N/A	20,448	40.7%	16,235	39.8%	35,207	39.9%	9,695	35.6%	81,586	39.5%
Total			50,216	100.0%	40,782	100.0%	88,209	100.0%	27,269	100.0%	206,476	100.0%

LA Sub-Areas

If all worker households were one-person, the following would be the estimated number of worker households in each income category:

Income Category (a)	2007 Income Limits	Maximum Price (d)	Palms-Mar Vista		Venice		West Hollywood		Westwood		Los Angeles City Sub-Area	
			Del Rey									
			#	%	#	%	#	%	#	%	#	%
1-Person Household												
Under 30% AMI	\$15,550	\$64,294	1,185	4.0%	857	6.1%	3,373	3.8%	3,046	5.5%	8,461	4.5%
31%-50% AMI	\$25,900	\$107,088	1,466	5.0%	964	6.9%	3,980	4.4%	3,011	5.4%	9,421	5.0%
51%-80% AMI	\$41,450	\$171,383	3,465	11.8%	1,613	11.5%	8,460	9.4%	5,947	10.7%	19,485	10.3%
81%-120% AMI	\$47,500	\$196,398	1,483	5.0%	680	4.8%	3,891	4.3%	2,495	4.5%	8,549	4.5%
121-150% AMI - Workforce (b)	\$59,400	\$245,601	2,656	9.0%	1,290	9.2%	7,666	8.5%	4,526	8.1%	16,138	8.5%
151%-180% AMI Workforce II (c)	\$71,280	\$294,721	2,439	8.3%	1,133	8.1%	7,354	8.2%	4,273	7.7%	15,199	8.0%
181% AMI or more	N/A	N/A	16,714	56.8%	7,483	53.4%	55,051	61.3%	32,325	58.1%	111,572	59.1%
Total			29,407	100.0%	14,019	100.0%	89,775	100.0%	55,623	100.0%	188,824	100.0%

For LA Subareas - If all worker households were four-person, the following would be the estimated number of worker households in each income category

4-Person Household												
Under 30% AMI	\$22,200	\$91,790	2,127	7.2%	1,476	10.5%	5,930	6.6%	4,981	9.0%	14,514	7.7%
31%-50% AMI	\$37,000	\$152,983	2,954	10.0%	1,480	10.6%	7,275	8.1%	5,263	9.5%	16,971	9.0%
51%-80% AMI	\$59,200	\$244,774	5,132	17.5%	2,426	17.3%	14,037	15.6%	8,710	15.7%	30,305	16.0%
81%-120% AMI	\$67,800	\$280,332	1,777	6.0%	859	6.1%	5,421	6.0%	3,088	5.6%	11,145	5.9%
121-150% AMI - Workforce (b)	\$84,800	\$350,622	3,411	11.6%	1,387	9.9%	9,657	10.8%	5,933	10.7%	20,388	10.8%
151%-180% AMI Workforce II (c)	\$101,700	\$420,498	3,127	10.6%	1,208	8.6%	8,384	9.3%	5,197	9.3%	17,916	9.5%
181% AMI or more	N/A	N/A	10,880	37.0%	5,183	37.0%	39,072	43.5%	22,452	40.4%	77,586	41.1%
Total			29,407	100.0%	14,019	100.0%	89,776	100.0%	55,623	100.0%	188,825	100.0%

Note:

(a) Income limits for 4-person households as published by HCD in 2007.

(b) These values were calculated by BAE as 1.5 multiplied by the published median for the particular household size.

(c) These values were calculated by BAE as 1.8 multiplied by the published median for the particular household size.

(d) See Appendix B for maximum affordable house price calculation

Sources: Census Transportation Planning Package Table 2-034, 2000; California Department of Housing and Community Development, 2007; BAE, 2008.

Comparison of Affordable Sale Prices to Recent Condo Sales, Westside Study Area, Jan - June 2008

Income Category	Income Limit (b)	Max Price	# of Sales	% of Total
If Buyer is a 1-Person Household				
30% AMI - Extremely Low	\$15,550	\$64,294	1	0.1%
50% AMI - Very Low	\$25,900	\$107,088	4	0.5%
80% AMI - Lower	\$41,450	\$171,383	5	0.7%
120% AMI - Workforce Tier 1	\$47,500	\$196,398	11	1.5%
150% AMI - Workforce Tier 2	\$59,400	\$245,601	7	1.0%
180% AMI - Workforce Tier 3	\$71,280	\$294,721	13	1.8%
Total Units Affordable for up to 180% AMI Households			41	5.6%
Remaining Units - Not Affordable to Workforce Households			695	94.4%
Total - All Recently Sold Units			736	100.0%
If Buyer is a 4-Person Household				
30% AMI - Extremely Low	\$22,200	\$91,790	3	0.6%
50% AMI - Very Low	\$37,000	\$152,983	5	1.0%
80% AMI - Lower	\$59,200	\$244,774	7	1.4%
120% AMI - Workforce Tier 1	\$67,800	\$280,332	16	3.2%
150% AMI - Workforce Tier 2	\$84,800	\$350,622	66	13.4%
180% AMI - Workforce Tier 3	\$101,700	\$420,498	145	29.4%
Units Affordable for up to 180% AMI Households			242	49.0%
Remaining Units - Not Affordable to Workforce Households			494	67.1%
Total - All Recently Sold Units			736	100%

Notes:

- (a) Includes all full and verified sales for single-family residential and condominium units from January 1, 2008 through June 30, 2008.
(b) Income limits as set by HCD for 1 and 4-person households up to 120 % AMI. Higher tiers of workforce income limits estimated by BAE.

Sources: California Department of Housing and Community Development, 2007; DataQuick, 2008; BAE 2008.

Comparison of Affordable Sale Prices to Recent Single Family Sales, Westside Study Area, Jan - June 2008

Income Category	Income Limit (b)	Max Price	# of Sales	% of Total
If Buyer is a 1-Person Household				
30% AMI - Extremely Low	\$15,550	\$64,294	0	0.0%
50% AMI - Very Low	\$25,900	\$107,088	0	0.0%
80% AMI - Lower	\$41,450	\$171,383	0	0.0%
120% AMI - Workforce Tier 1	\$47,500	\$196,398	0	0.0%
150% AMI - Workforce Tier 2	\$59,400	\$245,601	0	0.0%
180% AMI - Workforce Tier 3	\$71,280	\$294,721	0	0.0%
Total Units Affordable for up to 180% AMI Households			0	0.0%
Remaining Units - Not Affordable to Workforce Households			571	100.0%
Total - All Recently Sold Units			571	100.0%

If Buyer is a 4-Person Household				
30% AMI - Extremely Low	\$22,200	\$91,790	0	0.0%
50% AMI - Very Low	\$37,000	\$152,983	0	0.0%
80% AMI - Lower	\$59,200	\$244,774	0	0.0%
120% AMI - Workforce Tier 1	\$67,800	\$280,332	0	0.0%
150% AMI - Workforce Tier 2	\$84,800	\$350,622	6	1.1%
180% AMI - Workforce Tier 3	\$101,700	\$420,498	8	1.4%
Units Affordable for up to 180% AMI Households			14	2.5%
Remaining Units - Not Affordable to Workforce Households			557	97.5%
Total - All Recently Sold Units			571	100%

Notes:

(a) Full and verified sales for single-family residential and condominium units from January 1, 2008 through June 30, 2008.

(b) Income limits as set by HCD for 1 and 4-person households up to 120 % AMI. Higher tiers of workforce income limits estimated by BAE.

Sources: California Department of Housing and Community Development, 2007; DataQuick, 2008; BAE 2008.

Appendix C: List of Interviews

Large Private Employers

Ginny Flenoy, Campus Human Resources	UCLA
Brad Erikson, Director Campus Services Enterprises	UCLA
Felecito Cajayon, Director of Workforce Development	Santa Monica City College
Steven Sharrer, VP Human Resources	St. John's Medical Center
Jeri Simpson, Director of Human Resources	Santa Monica-UCLA Medical Center
Pat Dailey, Director of Human Resources	Occidental Petroleum
Jonathan Cowan, Executive Director, Government Relations	Sony Pictures
Gregg Bennett, Principal	Cannon Design

Cities/Chambers of Commerce/Others

Donna Peter, Labor & Employee Manager	City of Santa Monica
Serena Wright, HR Director	City of Culver City
Dan Walsh, CEO	Beverly Hills Chamber of Commerce
Steven J. Rose, President	Culver City Chamber of Commerce
Samantha O'Neill, Director of Government Affairs	Santa Monica Chamber of Commerce
Lisa Snyder	Los Angeles Business Council
Robert Dhondrup, Communications Director	Southern California Association of Nonprofit Housing

Appendix D: Affordability Index Toolbox Recommendations

The following recommendations were made in the *Affordability Index Toolbox* (SCAG, CTOD, Strategic Economics, March 2008) regarding the entire region served by the Southern California Association of Governments:

1. *Make the results of the Affordable Index available to the public. Add the Affordability Index score to the “4D” scores (density, diversity, design, destinations) that are being calculated for neighborhoods in southern California as part of the Compass Blueprint 2 Percent Strategy.*
2. *Use the Affordability Index to help identify those places that should be developed more intensely because of their low transportation costs. Help incentivize development in those places.*
3. *Make it clear that the solution to the housing affordability problem the problem of increasing transportation costs, and the pending problem of compliance with AB 32, which seeks roll back greenhouse gas emissions to 1990 levels, are all the same solutions.*
4. *Target existing resources and programs for affordable housing to neighborhoods with low transportation costs. Target jobs as well as a mix of other uses to neighborhoods with low transportation costs.*
5. *Use the Affordability Index to make it clear that it isn’t enough to have housing development at a rail station – density, a diversity of uses including jobs, designing for walkability, and linking destinations (including jobs and housing) by transit are all key.*
6. *Consider housing, employment, and transportation policies and investments together.*
7. *Invest in transit and contain and connect areas of sprawl. Consider making transportation investments contingent on plans that support increased density and mixed-income housing – like the Metropolitan Commission does in the San Francisco Bay Area.*
8. *Identify and utilize TOD opportunities. Make communities aware of opportunities for joint development provided by the Federal Transit Administration’s new Joint Development Policy.*
9. *Provide incentives to help catalyze the market for mixed-income TOD.*
10. *Help communities remove regulatory barriers to higher density mixed-use development.*
11. *Encourage public-private partnerships and track the data.*
12. *Create TOD land acquisition/land banking funds.*
13. *Create a TOD Affordable Housing Acquisition Fund.*
14. *Target funding to support the creation and preservation of affordable housing in transit corridors.*
15. *Facilitate the use of value capture tools for affordable housing near transit.*
16. *Increase the number and effectiveness of local inclusionary housing ordinances.*
17. *Utilize the free Compass Blueprint Planning services to help promote development in downtowns and near transit. Use the CALOTS website, which provides an interactive mapping tool to support infill development.*

Appendix E: Profiles of Inclusionary Programs for Workforce Housing

According to a recent study published by the Nonprofit Housing Corporation of Northern California (NPH) and the California Coalition for Rural Housing (CCRH), 452 housing units targeted to households with incomes above 120 percent AM were produced through expanded inclusionary housing programs in California between 1999 and 2006²⁷. Accounting for less than three percent of all inclusionary housing production in California during the study period, these units nonetheless represent an innovative approach to building housing for households earning between 120 and 200 percent of the Area Median Income.

Among California regions, Santa Barbara County stands out as the area with the longest track record of implementing inclusionary housing programs aimed at a workforce households. Inclusionary Housing Programs in Carpentry, the City of Santa Barbara and the unincorporated county of Santa Barbara were examined for this study.

Carpentry

The City of Carpentry requires 12 percent of all new units in residential developments of five (5) units or more to be affordable to households earning between 121 and 200 percent of the Area Median Income (AMI). For a family of four, this represents a total household income ranging from \$80,520 to \$134,200 as defined by the State HCD for all Santa Barbara County jurisdictions. A unique feature of the Carpentry Inclusionary Ordinance is that it focuses exclusively on households earning above 120% AMI and does not attempt to address affordable housing for moderate-, low- or very low- income households. Sale prices for the inclusionary units are calculated so that they are affordable to households earning 121% of AMI under a formula developed by the City.

Carpentry does allow developers the option of paying in-lieu fees to satisfy the inclusionary requirement with the specific requirement outlined as follows in the City's zoning code:

The required in-lieu shall be set based on an inclusionary housing requirement of twelve (12) percent of the on-site market-rate units. If a proposed residential project proposes both single-family detached development and condominium units, the in-lieu fee shall be calculated based on twelve (12) percent of each proposed unit type. The in-lieu fee shall be sufficient to make up the monetary difference between the following: a. The median sales price of a condominium unit in the city, and b. The sales price of a condominium unit affordable to an above-moderate income household earning one hundred twenty one (121) percent of the area median income calculated according to the procedure specified in the city's Affordable Housing Policies and Procedures.

²⁷ *Affordable by Choice: Trends in California Inclusionary Housing Programs* was released in June, 2007. The study documents inclusionary housing program adoption trends in California, and provides detailed data on inclusionary housing characteristics and program models for 107 California cities and counties.

City of Santa Barbara

The City of Santa Barbara City Council recently approved a draft amendment to the City's inclusionary ordinance which would change the minimum project size threshold from ten (10) to two (2) units. If adopted, the new ordinance would require 15% of all units in every residential project of two units or more to be affordable to moderate- or above moderate-income households defined as households earning 120 to 200 % of AMI. The City allows developers to pay in lieu fees and anticipates that most developers of smaller projects will pay in to the City's affordable housing fund rather than build inclusionary units on-site in smaller developments.

County of Santa Barbara

Santa Barbara County's inclusionary ordinance requires between 20 and 30 percent of units in projects with two or more units to be affordable to a range of household incomes with the specific requirements varying by County Plan Area. In the highest cost areas of the County, developers must provide five (5) percent of the units for very low-income households, five (5) percent for low-income households, ten (10) percent for moderate-income households and ten (10) percent for above moderate-income households (120-200% AMI). The County is required by ordinance to evaluate market conditions in each plan area annually and make adjustments to area specific inclusionary requirements taking into account long-term impacts on housing supply in the unincorporated county.

The County permits the payment of fees in lieu of building the units on-site with fees ranging from \$268,300 per workforce housing unit in the Lompoc Plan Area to \$576,600 per workforce unit in the South Coast Plan Area.

Summary

Although still relatively untested across California, the idea of targeting inclusionary housing programs to a workforce population has gained momentum in high cost areas of the State such as the Central Coast region. Many jurisdictions in this area are currently in the process of studying the Inclusionary Housing models developed in Santa Barbara County with the intention of crafting draft programs as market conditions permit.

Santa Barbara Jurisdictions with Workforce IZ				
Jurisdiction	Threshold Size	Affordable %	Target AMI	In-Lieu Fees
Carpinteria	5	12%	120 - 200%	Yes
City of Santa Barbara	2	15%	80 - 200%	Yes
Santa Barbara County	2	20 - 30%	50 - 200%	Yes

Source: BAE, 2008.

Appendix F: Case Studies of Workforce Housing Projects

Case Study: Housing Trust of Santa Clara County (HTSCC)

The Housing Trust of Santa Clara County (HTSCC) was established in 1999 by a task force comprised of representatives from the Silicon Valley Leadership Group (a council of business leaders), the Santa Clara County Collaborative on Housing and Homelessness, the County Board of Supervisors, and the Community Foundation Silicon Valley.

Fundraising was initiated by the Silicon Valley Leadership Group. Intel contributed the first \$2 million and publicly requested that peer organizations make similar contributions. Significant local funding support from several high tech firms quickly followed, and within 2 years the HTSCC reached its initial \$20 million goal. Nearly two-thirds of those contributions were from corporations or individuals, with local governments contributing the remaining one-third. Founding corporate contributors included Adobe Systems, Advanced Micro Devices, Applied Materials, Cisco Systems, Hewlett-Packard, and San Jose Mercury News/Knight Ridder. Subsequently, the fund surpassed \$31 million through a combination of additional public sector and private donations.

HTSCC supports three programs including transitional housing for special needs homeless populations, new construction affordable multifamily rental units targeting 30 to 80 percent AMI, and first-time homebuyer programs for 60 to 120 percent AMI households. To date, the Housing Trust of Santa Clara County has invested more than \$27 million, leveraging \$1.2 billion in total. The Trust reports assisting more than 6,600 families, including 2,000 first time homebuyers. The Trust has also supported the development of 1,258 units of affordable rental housing and helped create hundreds of units of shelter and special-needs housing.

For first-time homebuyers, HTSCC provides a both a downpayment loan program and a second mortgage program. Downpayment assistance is targeted to households earning between 60 and 100 percent AMI through an up to \$15,000 low interest, subordinated loan on homes priced up to \$550,000 and located in Santa Clara County. Repayment is part of normal *monthly mortgage payments*. To qualify, households must possess a good credit score, have household debt to income ratios less than 45 percent, retain continuous employment 24 months prior to application, and have not owned a home in Santa Clara County during the previous 36 months. The second mortgage program is targeted to households between 100 percent and 120 percent AMI and applicable to homes up to \$700,000 in the County. HTSCC has developed this program in collaboration with Meriwest, a non-profit credit union, which provides the first mortgage at a 97 percent loan-to-value ratio. The second mortgage effectively buys down the first loan's interest rate by 0.50 to 0.75 percent, and pays mortgage insurance upfront, reducing monthly costs to the buyer. To qualify, households must have similar credit and employment characteristics as outlined above, as well as make a minimum three percent downpayment.

An interview with the Executive Director of HTSCC indicated that the organization's success is grounded in support by the private sector; without SVLG's strong initial support, fundraising would have been a

daunting task. More recent challenges have been experienced due to the tightened credit market; rising CalHFA interest rates in early 2008 made it more difficult for households to borrow, leading to less demand for HTSCC programs, although the Director noted renewed demand for loan products in later spring 2008.

Case Study: Workforce Townhouses, Santa Barbara Cottage Hospital Foundation

Built in 1920s, the St. Francis Hospital occupied a 5.6 acre site in a residential neighborhood of Santa Barbara. The 85-bed hospital was closed in 2003, due to both substantial seismic retrofit capital costs and annual operating losses. Catholic Healthcare West, owner of the facility, sold the facility to Cottage Health System (CHS) for \$18 million, with the intention of redeveloping it for workforce housing, and absorbing St. Francis's health care services into its other hospitals.

CHS had made workforce housing for employees a priority because area home values have rapidly appreciated. As of late 2007, 40 percent of CHS employees did not own homes, and many employees typically commute long distances in order to own affordable units. CHS estimates that more than 25 percent of its workforce commutes over 15 miles, often via congested freeways.

The CHS Foundation developed a plan to develop affordable workforce units on the site, providing construction financing as well as mortgage assistance to first-time homebuyers. Initially, CHS contemplated reuse of the existing hospital for housing, but lack of employee interest in purchasing such units and desire among some residents to demolish the hospital led to a new plan to construct new townhomes affordable to the Cottage Health System's workforce. Most recent program details match City of Santa Barbara Affordable Housing policies, with units serving up to 160 percent AMI. According to the project sponsor, if the City resets AMI levels for workforce housing units, all re-sales of workforce units will in the project will be subject to the new limits. When employees no longer work for CHS, units must be resold to the CHS Foundation, although a "grace period" is still being formulated for this requirement.

The development plan experienced initial heavy neighborhood opposition. A new plan for 115 units drew criticism from neighborhood groups as too dense and detrimental to environmental quality.¹ CHS used a new 60 percent density bonus program to add 42 units to the 73 units permitted by existing zoning. According to code, the first 18 bonus units must be affordable to households earning up to 120 percent AMI and the remainder of units affordable to households earning up to 160 percent AMI. CHS exceeded city requirements, making a total of 81 units affordable. The remaining 34 units will sell at market rate to subsidize construction costs of the affordable units.

After receiving approval from the Santa Barbara City Council in 2006, opposing groups filed a lawsuit with Superior Court in 2007. In February, 2008, a Superior Court judge upheld the Environmental Impact Report (EIR). Final City Council and City Planning Commission certification of the EIR occurred in late April, 2008. Once construction begins, CHS anticipates an 18 month or less construction schedule. In 2003, CHS expected profits from the market rate units to recover the difference between construction costs of affordable units and their below market rate sale prices. As legal junctions delayed construction, costs increased significantly. As of late 2007, CHS projects an \$8 million shortfall for the

project, which will be absorbed by the CHS Foundation.

Case Study: Teacher Homebuyer Program, City of San Jose, CA

The City of San Jose developed the Teacher Homebuyer Program (THP) in 1999 to support homeownership and enhance attraction / retention of teachers working in the City's four school districts. With a \$4 million allocation from the San Jose Redevelopment Agency, augmented by funding from a similar program offered by the California Housing Finance Authority, the Teacher Homebuyer Program effectively eliminates the need for downpayments and significantly reduces mortgage payments through zero percent interest loans of \$40,000 or \$65,000, depending on household income. Maximum unit purchase price is \$732,000. Resale prices are either a) restricted to households earning less than 120 percent AMI for 45 years after loan origination, or b) unrestricted but subject to a return to the City of 16.67 percent of the difference between the initial purchase and resale prices less selling costs and capital improvements.

Requirements for eligibility include status as a first-time home buyer, owner-occupancy, and buyer must be employed as a teacher at a school located within the City of San Jose or with a student body comprised of more than 50 percent San Jose residents. Typically, THP loans for downpayments are supplemented by the Extra Credit Teacher Home Purchase Program (ECTP) and the Housing Trust of Santa Clara County (HTSCC). ECTP, offered by California Housing Finance Authority, assists with downpayment loans up to 3 percent of the purchase price for employees of school districts with similar restrictions to the THP, but are only applicable if employed at certain schools.

As of spring 2008, the City of San Jose has assisted more than 600 teacher homebuyers through this program. Although no data is collected regarding the number of program participants remaining employed as teachers, program managers note anecdotal evidence that participants tend to remain homeowners, with the ability to sell the unit at market rates facilitating a new purchase in the area. However, the program faces increased challenges finding eligible participants.

In the next few years, the City of San Jose will consider expanding the program to include select non-teaching staff (e.g. librarians) and offer greater assistance to lower income groups.

Case Study: Working Artists Ventura (WAV)

The Working Artists Ventura (WAV) project grew out of a larger initiative to stimulate revitalization downtown and position the City of Ventura as a California's New Art City, and is included in this Study as an example of creatively combining financing sources, even though its affordable component serves a lower income group in this case. With a construction budget of approximately \$38 million, the project is envisioned as a community designed for artists and creative businesses. The City of Ventura and the Ventura Redevelopment Agency collaborated on initiating this project. Leveraging a site owned by the Redevelopment Agency, the City engaged PLACE (Projects Linking Art, Community & Environment), a non-profit artists housing development corporation based in Minnesota, to lead project development. PLACE, in turn has joined with several investors and The John Stewart Company to obtain equity and manage the project.



The project combines affordable rental apartments for working artists earning less than 50 percent AMI, with market rate, ocean-view condominium units for those interested in living in an artistic community. Located on a city-owned site totaling 3 acres at Thompson Boulevard and South Ventura Avenue adjacent to Highway 101, WAV consists of a four-story complex, with 54 affordable rental units, 15 “supportive” rental units for families at-risk of homelessness, and 13 market rate condominiums. The project will also contain 8,000 square feet of ground floor retail and gallery spaces, including an innovative arts supply/coffee house (currently in negotiations). The project will be built to LEED standards, and if certified, will be among the first affordable LEED projects in California.

The affordable rental units were financed primarily through Low Income Housing Tax Credits, which contributed \$22 million in equity to the project. The City contributed more than \$3.5 million in loans and grants, including Community Development Block Grant (CDBG) funds. The Redevelopment Agency loaned \$2.8 million to the project, and a combination of a conventional mortgage and a mortgage secured by Section 8 rental vouchers contributed \$5.3 million in debt financing. Private equity investment and fee deferrals will contributed approximately \$1.2 million. The affordable component is also cross-subsidized by the 13 market-rate condominiums expected to sell for \$650,000 to over \$1 million. These market rate units range from one to large two-bedroom units, all with ocean views. Roof-top solar panels will harness enough energy to add electricity to the regional grid.

One of the innovative aspects of WAV is the focus on working artists. Due to a combination of fair housing law and other program regulations, while the project can not restrict occupancy to any occupational class, it can give leasing priority to people with arts “avocations.” WAV broke ground in early 2008, with occupancy expected by end of 2009. Approximately half of the market rate condominiums have received buyer deposits (refundable), with demand expected to be strong for these unique g units. Marketing of the market rate units targeted patrons of the arts and empty nesters seeking a downtown living experience.